



LIQUOR POLICY REVIEW FINAL REPORT AND RECOMMENDATIONS

*Delivered to the Honourable Joy MacPhail,
the Honourable Ian Waddell and the
Honourable Ujjal Dosanjh*

MAY 20, 1999

**LIQUOR POLICY REVIEW
FINAL REPORT AND
RECOMMENDATIONS**

PREPARED AND SUBMITTED BY:

**JO SURICH
PRINCIPAL
TRANSFORMATION SOLUTIONS**

MAY 20, 1999

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PREFACE

On November 28, 1998, I was appointed to conduct a review of liquor laws and policies and make recommendations that would modernize liquor regulations and policies to achieve the following objectives:

- Simplification of rules and licence classes to reduce the costs of red tape and regulation to the hospitality industry.
- Evolution of the hospitality industry in a way that assists the development of the BC tourism industry.
- Harmonization of BC approaches to the control of alcoholic beverages and the hospitality industry with those of neighbouring jurisdictions.
- Development of regulations that meet today's social and health objectives.

The first phase of the review involved a process of negotiation with key stakeholders. During December 1998 and January 1999, a series of meetings were held with all licensee associations, all liquor manufacturing associations, the Ubrew/Uvin industry, the Union of BC Municipalities, City of Vancouver staff, City of Vancouver police, City of Kamloops staff, and drug and alcohol social service agencies.

These meetings culminated in a negotiation session involving all key economic stakeholders, the purpose of which was to agree upon a framework for liquor regulations that would meet the review objectives. The initial Stakeholder Agreement, annotated with comments flowing from the community consultations, is presented in Part B. More detailed results of the community consultations are provided in the sections on Municipal Participation and Social Impacts of Alcohol Consumption. The results and my recommendations were delivered to the Province on February 1, 1999.

Cabinet accepted my recommendations, on condition that local governments, police, and drug and alcohol social service agencies be consulted to ensure against unintended impacts upon communities.

These consultations have been successfully completed, and the results are presented below.

PART A: SUMMARY OF RECOMMENDATIONS

1. *Licensing Framework*

- a) British Columbia will remain a control jurisdiction for liquor, access to liquor will not be increased and the proliferation of licensed establishments will continue to be controlled. Licensing responsibility will stay with the Province, with the whole province treated as a single licence area.
- b) To prevent over-licensing in local communities, all licences (including restaurants) will go through a local government recommendation/public input process.
- c) The new licensing regime will maintain the distinction between restaurants and bars. Restaurants will not turn into bars as a result of deregulation to reduce red tape. Any restaurant wishing to operate as a bar will have to apply for a bar licence and go through the appropriate approval processes.
- d) There will be two drink-by-the-glass licences, and three additional licence types for manufacturing and retail:
 - i) "A" - Service by-the-glass, primarily liquor
 - ii) "B" - Service by-the-glass, primarily food
 - iii) "C" - Manufacturers licence
 - iv) "D" - Ubrew/Uvin licence
 - v) "E" - Existing LRSs
- e) Eligibility should be limited to applicants who are in the food and beverage business or the entertainment industry.
- f) For all current primarily-liquor licensees, including hotels, cabarets, neighbourhood pubs, etc. (class A, C, D, E, F, and I), existing closing time may be extended to 4 a.m. without liquor service, with municipal recommendation. Extensions to 4 a.m. may be withdrawn at the General Manager's discretion and in response to expressed community concerns.
- g) New applicants for liquor-primary licences will apply for one of the following entertainment endorsements:
 - i) Games (*no gambling except government approved*)
 - ii) Electronic entertainment (*laser shows*)
 - iii) Live entertainment
 - iv) Sports stadium

- v) Audience participation (*dancing, karaoke*)
 - vi) Adult entertainment
 - vii) Casino gambling (*requires destination resort casino licence*)
- h) New applicants for liquor primary licences will apply for size endorsement. For example:
- i) Neighbourhood pub equivalent – 65 seats plus 20 seat patio (moveable indoors at owner's option)
 - ii) Current hotel pub and lounge equivalent – 125 and 225 seats plus patio
 - iii) Up to 350 seats (cabaret style entertainment)
 - iv) Bigger establishments with General Manager's discretion
- i) Local government will choose the public input process for any liquor licence application (whether liquor primary or food primary):
- i) Invite comment in writing;
 - ii) Public meeting;
 - iii) Referendum method
- j) Restaurant licences will require that full service be available during operating hours (closure of fully operational kitchen also requires closure of drink service). It is understood that a restaurant licence is designed to allow the service of liquor as an adjunct to the primary function of serving food, and that the service of a meal is a requirement for having a drink, subject to the exceptions defined below.
- k) Restaurants will be able to maintain current holding areas and new applicants will be able to apply for such areas in the future subject to the 10% or 20 seat limit described below.
- l) A limited number of tables in restaurant area or holding area can be set aside as designated (red-lined) 'drinking tables'. The maximum number of drinking seats in a restaurant will be set at 20 or ten percent of the total seats whichever is lesser, moveable to a patio.
- m) Preliminary Inspectors' test for non-drinking tables requires average value of food purchased and consumed to be \$5 per person at the table, with the majority at any table having a full meal (effect of this rule is to allow some members of a group not to eat).
- n) On the general understanding that restaurants are in the food service business, the forms of entertainment permitted will be consistent with that intent. (For example, pool table and other audience participation games will not be permitted.) Restaurants may seek endorsements for:
- i) Live entertainment (music etc)
 - ii) Audience participation (karaoke, dancing)

- o) If a restaurant appears to be operating as a bar:
 - i) Show cause enforcement process to be used in cases where restaurant is seen to violate liquor-without-food rules
 - ii) Onus will be on restaurant to prove that it is operating as intended by its licence
 - iii) Initial test for inspector involves \$5 rule
 - iv) Will be subject to penalties if found to be non-compliant
- p) Current non-compliant restaurants:
 - i) Must choose among options, and either move to compliance or apply for a bar licence and go through full licensing process.
 - ii) Must come into compliance within three months of next renewal
 - iii) Existing operators with significant violations not eligible; must transfer ownership to someone who is willing to move to compliance (90-day window)
 - iv) Where municipality rejects bar choice, must convert to compliant restaurant
- q) For existing hotel pubs, lounges, neighbourhood pubs, marine pubs and cabarets, allow alternate use for public spaces and licensed spaces (licensed space allowed to be used for other purposes during off hours).
- r) For existing hotel pubs, lounges, neighbourhood pubs, marine pubs and cabarets, allow capacity increases to the lesser of the building occupancy limit or the current liquor capacity plus fifty percent (50%). (See recommendation 13. v) for a description of the process to be used).
- s) For existing hotel pubs, lounges, neighbourhood pubs, marine pubs and cabarets, eliminate the 14 hours a day service limitation. The current 9 a.m. start time will be retained, with earlier times subject to General Manager's discretion.
- t) For existing hotel pubs, lounges, neighbourhood pubs, marine pubs and cabarets, hours of operation will be extendable beyond current limits on municipal recommendation.
- u) For existing hotel pubs, lounges, neighbourhood pubs, marine pubs and cabarets, if there is no adult entertainment, the issue of potential access to minors accompanied by parents or guardians until 9 p.m. (particularly in significant tourist areas) will be considered at a later stage.
- v) Municipalities will be able to recommend a one-year moratorium on all new licences to address over-licensing that arises when local economies and demographics change.
- w) There will be a longer transition period outside lower mainland, Victoria and other significant tourist areas. (Economic conditions should influence the extent and length of moratoria).

- x) A public hearing will be required for second and subsequent moratoria.
- y) Existing patio seats are not to be deducted from inside seating in hotels.

2. *Legions and Glassware*

- a) Royal Canadian Legion guests should not be required to register their addresses, and US veterans groups should be eligible for membership.
- b) Glassware should be deregulated.

3. *Retail Sales*

- a) For cold beer and wine stores (LRSs), fortified wines will be added to their product list, stores should be able to be leased to third parties, and extended hours should be allowed on municipal recommendation.
- b) LDB will produce list of desired Sunday openings and discuss with industry representatives prior to implementation. One representative from each of the distillers, LRS and LDB will be present for that discussion. The distillers support having a representative from the municipalities present during this discussion. The intent is to ensure minimal impact on existing LRS operators.
- c) There will be no additional refrigerator/coolers in LDB stores.
- d) Credit cards will be accepted in LDB stores.
- e) No further off-sales endorsements will be granted. Off-sales will be limited to current operators.
- f) Off-sales of wine will be permitted.
- g) Self-service of off-sales will be prohibited.
- h) Advertising of off-sales availability will be permitted outside the establishment.
- i) No distinct sales areas are to be created (ie. off-sales masquerading as equivalent to LRS).
- j) Price limitations will be removed for off-sales.
- k) Increased hours will be permitted for off-sales on municipal recommendation.

4. *Appeals*

- a) All appeals (licensing and enforcement) will be only on the record, and on the basis of error in law or failure to observe procedural fairness.

- b) Appeal Board procedures are to be reviewed to ensure timely, fair and efficient hearings.

5. Manufacturing

- a) For wineries, a single winery licence will include all activities:
 - i) wine manufacturing
 - ii) wine marketing
 - iii) agri-tourism activities consistent with Agricultural Land Reserve and other land use and health regulation requirements (allows restaurants on site)
- b) Wineries will be allowed to charge for tastings.
- c) Reporting to be harmonized (LDB and LCLB to lead process).
- d) Eliminate all forms of reporting that do not have a demonstrated purpose.
- e) The tied house rule will be maintained for breweries.
- f) De-couple price tie of cottage brewers to major breweries. The parties have agreed to produce a methodology by February 28, 1999.
- g) Allow charging for tastings at breweries, but do not allow restaurants at breweries.
- h) For sponsorships of large sports facilities, participation will be guaranteed for non-major breweries. A minimum 10 percent of draft volume would have to be purchased from other brewers.
- i) Craft brewers to use LDB distribution to government stores, and distribute themselves to Cold Beer and Wine Stores.
- j) For Independent wine stores:
 - i) Stores and LDB will tune reporting processes
 - ii) Agency renewal period is to be extended to five years
 - iii) Relocation rules are to be clarified

6. Advertising

- a) Advertising will be deregulated (no more pre-approvals, use Advertising Standards Council approach, no separate BC code), and federal standards will apply.
- b) Establishment signage to be consistent with licence (restaurant signage to forbid advertising of straight liquor service).

- c) Eliminate the pre-approval of sponsorship advertising for charitable/not-for-profit events and responsible use advertising and programming.
- d) Allow outdoor advertising except in proximity to schools and locations frequented predominantly by minors.
- e) No pre-approval for sporting events sponsorships.

7. *Ubrews*

- a) License Ubrews/UVins to assist members of the public to manufacture beer or wine on-premise for personal consumption.
- b) No licence will be required to sell kits and accoutrements.
- c) An application fee and annual licence fee will be levied.
- d) The customer must personally make, bottle and remove the product.
- e) Ubrews/UVins will be required to keep records and submit reports.
- f) Same advertising standards will apply as for other manufacturers (no price advertising).
- g) Starting point for beer making will be consistent with beer made in an individual's home.
- h) Environmental standards will be consistent with those for other liquor manufacturing.

8. *Licence Renewals*

- a) All licences will be subject to annual renewal.
- b) Enforcement records will be considered and municipalities and police will be informed of and invited to comment on renewals.
- c) When a licence is not renewed due to a poor compliance record, the licensee will be given 90 days to transfer the licence to someone who is willing to comply.

9. *Serving It Right Training*

- a) All servers will require a licence to serve alcohol, and will be required to pass the Serving It Right program to obtain a licence.
- b) The Serving It Right program will be re-designed using technology so that it can be delivered throughout the province in an economically efficient manner (hospitality industry has project underway).

- c) The exams for the Serving It Right course will be closed book and supervised.

10. Responsible Use of Alcohol

- a) Industry will support the designated driver program.
- b) Operators will encourage designated driver programs by providing alcohol-free drinks to the designated driver at a reasonable cost.
- c) Operators will provide advertising encouraging the designated driver program.
- d) Owners are responsible for creating an environment where servers are able to discontinue a service where appropriate.
- e) There will be a system to prevent cheap drinks, based upon the LDB price floor (wine: 1.5 times floor price plus tax; bottled beer: 2 times floor price plus tax; draft beer and spirits: 2.5 times floor price plus tax).

11. Enforcement

- a) All parties recognize the need for consistent and vigorous enforcement of rules related to liquor licenses and public safety. The new licensing regime will include clearly stated penalties for infractions, laid out in regulation, and specific plans for vigorous enforcement. There will be a clear schedule of graduated penalties, with fines and/or suspensions leading to licence cancellation for serious infractions (such as service to minors and over-service). Regulation content will be subject to consultation with significant stakeholders.
- b) LCLB inspectors should be dedicated to compliance and enforcement activity, and should not be responsible for licensing functions.
- c) There should be more night inspections by LCLB inspectors.
- d) The number of LCLB inspectors should increase to between 35 and 40.

12. Implementation

- a) Develop consensus with municipalities on involvement in licensing process (See the discussion and recommendations in Part C and recommendation 13. f) below).
- b) Create a stakeholder advisory process, representative of interests, to provide advice to the Minister during the two/three year implementation period.
- c) Implementation should be phased to ensure that enforcement mechanisms are in place before changes are introduced to licensing.
- d) During the first twelve month period (1-12):

- i) Existing establishments should be brought into compliance
 - ii) New licences issued consistent with new scheme (moratoria in place)
 - iii) All restaurants tested at licence renewal time for compliance with new regime
 - iv) Major training project required for inspectors and licensing staff. Some portion to be trained in ADR techniques
- e) Next twelve month (13-24) period used to fine-tune enforcement processes with respect to other key issues (over-serving, minors, etc).
- f) Month 25-36 used to fully implement go-forward regime:
 - i) Moratoria on new licenses end except in special circumstances identified by municipalities and confirmed through public input
 - ii) Development of regulation pursuant to this report to address appropriateness of fines and other penalties, and appropriate sanctions for over-service, over-crowding and service to minors.

13. Local Government Participation

- a) When a local government recommends that a licence not be issued, LCLB should not override their recommendation unless there are issues of fairness or due process in how the municipality has dealt with the applicant.
- b) LCLB will not override a local government recommendation against the granting of a licence without holding a public hearing within the community on the application.
- c) When a local government recommends that a licence be issued, LCLB should consider the density of licensing in the community and any local enforcement issues in deciding whether to grant the licence.
- d) Local governments should have authority to establish the appropriate local processes for licence decisions, based upon their assessment of the potential impacts of the establishment upon the community.
- e) Local governments should be informed of all licence applications and all requests for expanded hours (including off-sales and LRS hours), capacity or entertainment and should have the opportunity to make recommendations to LCLB.
- f) Templates should be developed for local governments to use when making their recommendations to LCLB. Local government should have input in the development of the templates, through a working group of staff that will report to the UBCM representative on the Minister's advisory council.

- g) A process should be established with local government to resolve discrepancies between licensed capacities and building occupancy limits.
- h) Local governments and police should be informed of compliance and enforcement actions with licensees, including warnings.
- i) LCLB will provide local governments with periodic lists of licences coming up for renewal. Local governments and police comments on an establishment will be considered before the licence is renewed, and will form the basis of educational or compliance action by LCLB to address problems.
- j) Licensee responsibility for managing the establishment should extend to the adjacent areas outside the building.
- k) Where licensed capacity is increased to the building capacity, there should be zero tolerance for over-crowding.
- l) Local governments should have the authority to charge cost-recovery licensing application fees.
- m) Fees should be charged for holding areas containing straight drinking seats. In addition, it was also recommended by some that current dining room licensees (serving only beer and wine and paying a smaller licence fee - \$250) should be required to move up to a higher licence fee category if they wish to designate drinking seats.
- n) Local governments will not be required to comment on applications that they identify as low impact.
- o) There will be limited and defined grounds on which LCLB will override local government recommendations on licensing decisions. These grounds will include: "fit and proper person" considerations; issues of local government fairness and due process, or public interest reasons such as local problems due to a proliferation of establishments.
- p) If the local government recommends that a licence not be issued, LCLB will not override this recommendation without holding a public hearing within the community on the application.
- q) LCLB will develop new systems to make it easier for local governments to provide input.
- r) Local governments already consider proximity to schools and other public buildings in their zoning decisions and during their review of liquor licence applications. Rather than giving school boards a veto, this issue will be included in the template provided by LCLB for local government input.
- s) Licence applications will include requests for specific capacities, hours of operation and entertainment. This will ensure that local governments will have an opportunity to make recommendations on factors that lead to community impacts.

It will also ensure flexibility in the licensing system to accommodate business plans.

- t) Existing straight-drinking establishments (not new applicants) will be given more flexibility as to hours of operation, but only with municipal approval. New applicants will request their hours of operation on the application form. Local government will be informed of the hours requested so that they can consider this before making their recommendation on the application to LCLB.
- u) To eliminate discrepancies between building capacities and licenced capacities, building capacity and liquor capacity will be identical for any newly-licenced establishment.
- v) Existing bars, pubs and cabarets will be able (within limits) to increase their capacities to the building occupancy limit with local government input. The following process is recommended:
 - Step 1 – An exchange of information between the operator, the local government and LCLB. Detailed procedures will be developed through pilot projects with several local governments.
 - Step 2 – Agreement between these parties on the facts pertaining to the current building occupancy and the liquor capacity.
 - Step 3 – Examination of municipal impacts if the capacity is increased.
 - Step 4 – Decision-making process on how any discrepancy in capacity should be addressed. This process can be assisted through mediation.
- w) At present, B-licensed "dining room" restaurants pay a \$250 licence fee and are restricted to the sale of beer and wine. B-licensed "dining lounges" pay a \$500 fee and are licensed to sell all types of liquor. In order to qualify for any designated drinking seats, "dining room" restaurants will have to pay the higher fee.
- x) Simple tests will be applied to ensure that restaurants operate as restaurants and not bars. These tests will be applied by LCLB inspectors, and will include such things as confirmation that the kitchen is open and full menu service is available, an examination of the receipts for the proportion of liquor sales to food sales, and an examination of the financial records to identify labour costs, as these are substantially higher for restaurants than for bars. (See recommendation 1 (o).)

14. Licensing Process

- a) The applicant will forward a completed application form to LCLB.
- b) LCLB will review the "fit and proper" status of the applicant.
- c) If LCLB decides the applicant is not fit and proper, the licence will be denied.

- d) If LCLB decides the applicant is fit and proper, LCLB will forward documents to the local government that include: details on the application (name of applicant, location, seating capacity, hours of operation, types of entertainment, etc.).
- e) The local government may choose whether or not to comment upon the application. For example, it may prefer not to review and comment upon applications for small restaurants with early closing hours.
- f) The local government will decide which of the three categories (outlined in Appendix D: May 14 Communication to Local Governments) that the application falls into: low, medium or high community impact.
- g) If the local government recommends that the licence not be issued, LCLB will not override this decision without conducting a public hearing on the application in the local community. This will enable LCLB to address issues of fairness or due process.
- h) If the local government recommends that the licence be issued, LCLB may override their decision for public interest reasons such as (for example) a proliferation of establishments. Existing levels of "licensed seats", both primarily food and primarily liquor, will play a major role in this consideration.

15. Single Room Occupancy (SRO) Hotels

- a) It is recommended that the Liquor Control and Licensing Act provide discretion to the General Manager to enable grandparenting, by regulation, so that the *status quo* can be maintained for any aspect of the current regulations where this is deemed to be in the overall public interest.

PART B: STAKEHOLDER AGREEMENT

The following document represents a detailed summary of the decisions reached by stakeholders at the final negotiating session, January 22-23, 1999.

Comments that were added to the document as a result of consultations with municipal governments, police, and alcohol and other drug counselling groups are displayed in bold.

1. Participants

Association of Canadian Distillers; Jan Wescott, Lorne Valensky

BC Billiards Association; Jim Waluk

BC Restaurant and Food Services Association; Geoffrey Howes, Richard Floody,
Bob McKeachy

BC Wine Institute; Ian Tostenson

BC/Yukon Hotel Association; Richard Gibbons, James Chase, Fred Beruschi, Rick
Boyd

BCGEU; Patrice Pratt, Candace Cowan

Brew Pub Sector; Paul Hadfield

Cabaret Owners Association; Roger Gibson, Vance Campbell

Canadian Restaurant and Food Services Association; Mark von Schellwitz

Craft Brewers Association; Don Ross

Estate Wineries; Gordon Fitzpatrick

Farm Wineries; Bob Ferguson

Hobby Brewers and Vintners Association; Barb Hopkins, Don Isaak

Hotel, Restaurant and Bartenders Union Local 40; Nick Worhaug

Independent Wine Retailers; John Clerides

Liquor Distribution Branch; Jay Chambers

Major Breweries; Paul Smith

Major Wineries; Don Woods

Neighborhood Pub Owners Association; Dave Crown, Brenda Locke, Tony
Rushworth

Royal Canadian Legion; Russ Howcroft

Union of BC Municipalities; Ken Vance (Observer-participant)

Union of BC Municipalities & City of Vancouver; Lynne Kennedy (Observer-
participant)

Western Brewers Association; Greg D'Avignon

Meetings Leading to the Stakeholder Agreement

- Nov. 23 Hospitality industry stakeholders (Hotels, Neighbourhood Pubs, Restaurants, Wine Institute, Wineries, Distillers)
- Nov. 26 Neighbourhood Pub Owners Association
BC/Yukon Hotel Association
- Nov. 30 Canadian Legion
- Dec. 1 BCGEU
Bill Dempsey, publican
- Dec. 2 City of Vancouver staff
Hobby Brewers and Vintners Assoc.
- Dec. 3 Cabaret Owners' Assoc.
- Dec 4 Tom Lennox, Hard Rock Cafe
David Peacock, billiards proprietor
- Dec 7 BC Restaurant and Food Services Association
Peter Uram, Cold Beer and Wine Store
Molnar Group (wine marketing ideas)
Intrawest Resort Operations
- Dec 9 Min of Municipal Affairs (Suzanne Veit)
- Dec 10 Craft Brewers
Western Brewers
- Dec 11, 12 LCLB inspection tour, Vancouver
- Dec. 13/14 Meetings in Okanagan:
Farm wineries
Estate wineries
Billiard halls
Golf courses
- Dec. 15 Provincial Fire Commissioner
Major Wineries
Meeting in Nanaimo with local hoteliers, publicans and Cold Beer and Wine Store owners
- Dec. 17 Canadian Distillers
Bruce Chambers, Chief City of Vancouver Police
Alcohol and Drug Education Services
BC Council of Families
Kaiser Youth Foundation

- Dec. 18 Brew Pub sector, with Paul Hadfield, and CAMRA
- Dec. 22 Brian Martin - Tally Ho, Nanaimo
Peter Bonner, restaurateur
- Dec. 23 Vancouver International Airport Authority
- Jan. 4 BC/Yukon Hotel Association
- Jan. 5 BC Automobile Association
Ministry of Children and Families, Drug and Alcohol Programs
- Jan. 7 Various stakeholders in Kamloops, arranged by Cathie MacGregor:
Hoteliers
Publicans
Billiard halls
City of Kamloops staff
Kamloops City Councillor
- Jan. 8 Canadian Home Wine Trade Association
- Jan. 10 U-Brew/U-Vin Trade Show
- Jan. 11 CAW (Local 3000 staff)
UBCM
Neighborhood Pubs Owners Association
Greg D-Avignon, Western Brewers
- Jan. 13 - Nick Worhaug, Hotel, Restaurant and Bartenders Union Local 40
Paul Smith, Labbatt's
- Jan. 14 - ICBC, Allison Hart - Education, Bill Mercer – CounterAttack
Glen Fawcett - Mountain World Entertainment, Whistler
- Jan. 18 – Olympia, WA (Assistant Attorney General, and licensing and
enforcement staff)
- Jan. 19 - Century Grill (hotel pub, restaurant and cabaret)
- Jan. 20 – Don Ross, Craft Brewers Association
Independent Wine Retailers
Cabarets Owners Association
BC/Yukon Hotel Association
Restaurant and Food Services Association
- Jan. 21 – LCLB licensing staff and branch management
- Jan. 22 - BC Pavilion Corp
- Jan. 29 – Craft Brewers Association
Paul Hadfield, Spinnakers Brewpub

2. Preamble

British Columbia will remain a control jurisdiction for liquor, access to liquor will not be increased and the proliferation of licensed establishments will continue to be controlled. Licensing responsibility will stay with the Province, with the whole province treated as a single licence area.

One key community objective in restructuring licensing is to prevent over-licensing in local communities. To this end, all licences (including restaurants) will go through a local government recommendation/public input process.

The new licensing regime will maintain the distinction between restaurants and bars. Restaurants will not turn into bars as a result of deregulation to reduce red tape. Any restaurant wishing to operate as a bar will have to apply for a bar licence and go through the appropriate approval processes.

A show cause process will be used in cases where an establishment is seen to be in contravention of the rules and its licence. The onus will be on the licensee to prove that he or she is not in contravention.

3. Licence Types

- a) "A" - Service by-the-glass, primarily liquor
- b) "B" - Service by-the-glass, primarily food
- c) "C" - Manufacturers licence
- d) "D" - Ubrew/Uvin licence
- e) "E" - Existing LRSs

4. "A" - Primarily liquor service

Includes all current primarily-liquor licensees, including hotels, cabarets, neighbourhood pubs, etc. (class A, C, D, E, F, and I).

Existing closing time may be extended to 4 a.m. without liquor service, with municipal recommendation. Extensions to 4 a.m. may be withdrawn at the General Manager's discretion and in response to expressed community concerns.

- a) New applicant applies for entertainment endorsement(s):
 - i) Games (*no gambling except government approved*)
 - ii) Electronic entertainment (*laser shows*)
 - iii) Live entertainment
 - iv) Sports stadium

- v) Audience participation (*dancing, karaoke*)
 - vi) Adult entertainment
 - vii) Casino gambling (*requires destination resort casino licence*)
- b) New applicant applies for size endorsement, **for example:**
- i) Neighbourhood pub equivalent – 65 seats plus 20 seat patio (moveable indoors at owner's option)
 - ii) Current hotel pub and lounge equivalent – 125 and 225 seats plus patio
 - iii) Up to 350 seats (cabaret style entertainment)
 - iv) Bigger establishments with General Manager's discretion
- c) Municipality chooses public input process (**See Part C: Municipal Participation**)
- i) Invite comment in writing;
 - ii) Public meeting;
 - iii) Referendum method

Consensus with respect to municipal processes and options to be developed with UBCM. **For conclusions from this process see Part C: Municipal Participation.**

Size and type of requested establishment guides intensity of process.

It is expected that the extent of involvement desired by municipal bodies will vary. It should, however, not become easier to obtain liquor licences than it currently is.

5. **"B" - Primarily food**

Full-service available during operating hours (closure of fully operational kitchen also requires closure of drink service). It is understood that a restaurant licence is designed to allow the service of liquor as an adjunct to the primary function of serving food, and that the service of a meal is a requirement for having a drink, subject to the exceptions defined below.

- a) Restaurant holding areas:
- i) Restaurant able to maintain current holding areas and new applicants will be able to apply for such areas in the future subject to the 10% or 20 seat limit in (iii) below
 - ii) Limited number of tables in restaurant area or holding area set aside as designated 'drinking tables'

- iii) Maximum number of drinking seats in a restaurant set at 20 or ten percent of the total seats whichever is lesser, moveable to a patio
- iv) Preliminary Inspectors' test for non-drinking tables requires average value of food purchased and consumed to be \$5 per person at the table, with the majority at any table having a full meal (effect of this rule is to allow some members of a group not to eat)

b) Restaurant entertainment:

On the general understanding that restaurants are in the food service business, what forms of entertainment are permitted will be consistent with that intent. (For example, pool table and other audience participation games will not be permitted.)

Restaurants may seek endorsements for:

- i) Live entertainment (music etc)
- ii) Audience participation (karaoke, dancing)

c) Municipality chooses public input process (**See Part C: Municipal Participation**)

- i) Invite comment in writing;
- ii) Public meeting;
- iii) Referendum method

Consensus with respect to municipal processes and options to be developed with UBCM. **For conclusions from this process see Part C: Municipal Participation.**

Size and type of requested establishment guides intensity of process

It is expected that the extent of involvement desired by municipal bodies will vary. It should, however, not become easier to obtain liquor licences than it is now.

d) If a restaurant appears to be operating as a bar:

- i) Show cause enforcement process to be used in cases where restaurant is seen to violate liquor-without-food rules
- ii) Onus will be on restaurant to prove that it is operating as intended by its licence
- iii) Initial test for inspector involves \$5 rule
- iv) Will be subject to penalties if found to be non-compliant

e) Current non-compliant restaurants

- i) Must choose among options, and either move to compliance or apply for a bar licence and go through full licensing process.

- ii) Must come into compliance within three months of next renewal
- iii) Existing operators with significant violations not eligible; must transfer ownership to someone who is willing to move to compliance (90-day window)
- iv) Where municipality rejects bar choice, must convert to compliant restaurant

6. Existing hotel pubs, lounges, neighbourhood pubs, marine pubs and cabarets

- a) Allow alternate use for public spaces and licensed spaces (licensed space allowed to be used for other purposes during off hours).
- b) Allow capacity increases to the lesser of the building occupancy limit or the current liquor capacity plus fifty percent (50%). **For a description of the process to be used see Part C: Municipal Participation.**
- c) Eliminate 14 hours a day service limitation (**retain current 9 AM start time. Earlier times subject to General Manager's discretion.**)
- d) Extend hours of operation beyond current limits **on municipal recommendation.**
- e) If no adult entertainment, the issue of potential access to minors accompanied by parents or guardians until 9PM (particularly in significant tourist areas) will be considered at a later stage.
- f) Longer transition period outside lower mainland, Victoria and other significant tourist areas.
- g) Allow municipality to recommend one-year moratorium on all new licences.
 - i) For second and subsequent moratorium public hearing is required
- h) Existing patio seats not to be deducted from inside seating in hotels.

7. Royal Canadian Legion

- a) Guests not required to register addresses.
- b) US veterans groups eligible.
- c) Deregulate glassware (applies to all licensed establishments).

8. Cold beer and wine stores

- a) Add fortified wines to product list.
- b) May be leased to third parties.

- c) Allow extended hours on municipal recommendation.

9. LDB Stores

- a) LDB to produce list of desired Sunday openings and discuss with industry representatives prior to implementation. One representative from each of the distillers, LRS and LDB will be present for that discussion. The distillers support having a representative from the municipalities present during this discussion. This move should ensure minimal impact on existing LRS operators.
- b) No additional refrigerator/coolers in LDB stores.
- c) Credit cards in LDB stores.

10. Off-sales

- a) Continue to be limited to current operators.
- b) Permit wine off-sales (prohibit self-service).
- c) Allow advertising of off-sales availability outside establishment.
- d) No distinct sales areas to be created (i.e. Off-sales masquerading as equivalent to LRS').
- e) Remove price limitations.
- f) Allow increased hours **on municipal recommendation.**

11. Appeals

- a) All appeals (licensing and enforcement) only on the record, and on the basis of error in law or failure to observe procedural fairness.
- b) Appeal Board procedures to be reviewed to ensure timely, fair and efficient hearings.

12. Manufacturing – Wineries

- a) Single licence to include all activities:
 - i) wine manufacturing
 - ii) wine marketing
 - iii) agri-tourism activities consistent with Agricultural Land Reserve and other land use and health regulation requirements (allows restaurants on site)
- b) Allow charges for tastings.
- c) Reporting to be harmonized (LDB and LCLB to lead process).

- i) **Eliminate all forms of reporting that do not have a demonstrated purpose.**

13. Manufacturing – Breweries

- a) Maintain tied house rule.
- b) De-couple price tie of cottage brewers to major breweries. The parties have agreed to produce a methodology by February 28, 1999.
- c) Charge for tastings at brewery, but no restaurants.
- d) For sponsorships of large sports facilities, participation will be guaranteed for non-major breweries. A minimum 10 percent of draft volume would have to be purchased from other brewers.
- e) Craft brewers to use LDB distribution to government stores, and distribute themselves to Cold Beer and Wine Stores.

14. Independent wine stores

- a) Stores and LDB will tune reporting processes.
- b) Agency renewal period to be extended to five years.
- c) Relocation rules to be clarified.

15. Advertising

- a) Take province out of the business (no more pre-approvals, use Advertising Standards Council approach, no separate BC code); use federal standards.
- b) Establishment signage to be consistent with licence (restaurant signage to forbid advertising of straight liquor service).
- c) Eliminate the pre-approval of sponsorship advertising for charitable/not-for-profit events and responsible use advertising and programming.
- d) Allow outdoor advertising except in proximity to schools and locations frequented predominantly by minors.
- e) No pre-approval for sporting events sponsorships.

16. Ubrew/Uvin Regulation

- a) License Ubrews/Uvins to assist members of the public to manufacture beer or wine on-premise for personal consumption.
- b) No licence required to sell kits and accoutrements.
- c) Application fee and annual licence fee will be levied.

- d) Customer must personally make, bottle and remove the product.
- e) Ubrews/Uvins will be required to keep records and submit reports.
- f) Same advertising standards as other manufacturers (no price advertising).
- g) Starting point for beer making consistent with beer made in an individual's home.
- h) Consistent environmental standards with other liquor manufacturing.

17. Licence Renewals

- a) All licences subject to annual renewal.
- b) Enforcement record will be considered **and municipalities informed of and invited to comment on renewals.**
- c) When a licence is not renewed due to a poor compliance record, the licensee will be given 90 days to transfer the licence to someone who is willing to comply.

18. Serving It Right/Designated Driver Program

- a) All servers will require a licence to serve alcohol, and will be required to pass the Serving It Right program to obtain a licence.
- b) The Serving It Right program will be re-designed using technology so that it can be delivered throughout the province in an economically efficient manner (hospitality industry has project underway).
- c) The exams for the Serving It Right course will be closed book and supervised.
- d) Industry will support the designated driver program.
- e) Operators will encourage designated driver programs by providing alcohol-free drinks to the designated driver at a reasonable cost.
- f) Operators will provide advertising encouraging the designated driver program.

19. Enforcement

- a) All parties recognize the need for consistent and vigorous enforcement of rules related to liquor licenses and public safety. The new licensing regime will include clearly stated penalties for infractions, laid out in regulation, and specific plans for vigorous enforcement. Regulation content will be subject to consultation with significant stakeholders.
- b) Owners are responsible for creating an environment where servers are able to discontinue a service where appropriate.
- c) System to prevent cheap drinks, based upon LDB price floor (wine: 1.5 times floor price plus tax; bottled beer: 2 times floor price plus tax; **draft beer and spirits: 2.5 times floor price plus tax**).

20. Implementation Process

- a) Develop consensus with municipalities on involvement in licensing process (See **Part C: Municipal Participation**).
- b) Create a stakeholder advisory process, representative of interests, to provide advice to the Minister during the two/three year implementation period.
 - i) First twelve month period (1-12) used to bring existing establishments into compliance New licences issued consistent with new scheme (moratoriums in place)
 - ii) All restaurants tested at licence renewal time for compliance with new regime
 - iii) Major training project required for inspectors and licensing staff. Some portion to be trained in ADR techniques
- c) Next twelve month (13-24) period used to fine-tune enforcement processes with respect to other key issues (over-serving, minors, etc).
- d) Month 25-36 used to fully implement go-forward regime.
- e) Moratoriums on new licenses end except in special circumstances identified by municipalities and confirmed through public input.
- f) Development of regulation pursuant to this report to address appropriateness of fines and other penalties, and appropriate sanctions for over-service, over-crowding and service to minors.

PART C: MUNICIPAL PARTICIPATION

DISCUSSION

On March 19, 1999, we faxed every local government a summary of proposed changes to provincial liquor regulations. (This package is provided in Appendix A.) We included a proposal for local government participation in liquor licensing decisions, and invited their comments on both the proposed regulations and local government's role in licensing decisions. From late March through early May, we met with officials, staff and police from over fifty local governments and received submissions from an additional ten. We met twice with UBCM during that period. (A list of meetings and dates is provided in Appendix B.)

The March 19 documents were revised to reflect what we heard during the consultations, and faxed back to local governments on May 7 for their review and comments. The documents were revised further based upon the comments received. These revisions are provided as Appendices C and D.

The following key issues and concerns emerged from these discussions with local governments and police:

1. Concern with increasing capacities to building occupancy limits
2. Involvement of local governments and police in licensing decisions
3. Weight given to local government recommendations
4. Erosion of existing local government powers
5. Support for streamlining
6. The need to maintain a distinction between restaurant and bars
7. The need to allow for distinctions between neighbourhood pubs and bars
8. The need for better enforcement
9. Concern with provincial "downloading"

It is fair to say that all local governments wish to be informed of licence applications and of any applications for change in hours, capacity and entertainment, including extensions of off-sales hours. The degree of actual participation desired by local governments, however, varies quite widely. Some wish simply to be informed, while others want to participate in decisions. Many are concerned that their participation will not be given adequate weight, and that the province will override local recommendations by issuing licences and granting privileges despite local opposition. At the same time, there was broad support for maintaining a provincial licensing scheme rather than delegating responsibility to local governments.

Local governments wish to maintain their current authority over land-use and signage. Some concern was expressed that deregulation of advertising would enable establishments to display

obtrusive signage, or advertise liquor prices. Discussion of the advertising recommendations put these concerns to rest.

There is strong support among local governments for streamlining the licensing process. Some questions were raised as to whether an expedited licensing process would give adequate time for local government input.

Opinions were divided as to whether school boards should be able to veto licences. Some local governments that supported this believed that school boards should be given veto powers for applications within close proximity to schools, and the opportunity to comment on applications within a specified wider range. Some believed that this power should be extended to other types of social facilities, such as day cares, seniors centres and recreation centres. Those opposed giving schools a veto did so on the grounds that this would add another layer of bureaucracy to the licensing process, and that it could have a detrimental impact on commercial centres.

The consultation confirmed that hours of operation, capacity limits and types of entertainment are of particular concern to local communities. There were some fears that elimination of the 14 hour rule could lead to 24 hour liquor service. Very little concern was expressed with the changes proposed for restaurants, although most believe it is important that the licensing system maintain a clear and enforceable distinction between restaurants and bars.

Some were concerned that individual restaurants might be able to move incrementally toward bar-style service without local input. Some expressed concern that a single licence for all straight-drinking establishments would change the distinct character of neighbourhood pubs and other bars, and would not be flexible enough to allow businesses to target niche markets. Some fear that elimination of the restrictive licence categories that exist today could lead to a proliferation of establishments.

The most persistent problems for local governments and police throughout the province arise with the operation of hotel bars and cabarets. The most significant issues are over-service and problems with noise, nuisance and violence that spills out into the community when patrons leave the establishments.

Virtually everyone we met expressed the need for more timely and effective enforcement, particularly on matters which impact local communities. Over-service and over-crowding are most likely to lead to noise, violence and a nightly drain on police resources. There were suggestions to improve coordination of enforcement efforts by the branch and police, such as advising local government and police of enforcement actions, including warnings. We heard repeatedly that LCLB should be able to rescind licences, and that licence suspensions must be implemented soon after the infraction in order to be effective. There was broad support for strengthening the Serving It Right course, and some suggestions that graduates should be required to take refresher courses and renew their Serving It Right certification periodically.

There was widespread concern on the part of local governments and police that the liquor law changes were intended to download licensing and enforcement functions to the local community.

Two issues emerging from the discussions carry potential implications for the industry stakeholder agreement. One significant issue for a small number of local governments concerns Single Room Occupancy hotels, and this is discussed later in this report under "Single Room

Occupancy (SRO) Hotel Accommodation.” The second issue, eliminating the discrepancy between liquor licence seats and building occupancy limits, is of broad concern to virtually every local government with whom we consulted.

The relevant section in the Stakeholder Agreement states: “Existing hotel pubs, lounges, neighbourhood pubs, marine pubs and cabarets.... (b) Allow capacity increases to the lesser of the building occupancy limit or the current liquor capacity plus fifty percent.”

An accompanying recommendation requires that no discrepancy be permitted for new applications. For example, an individual applying for a new 65-seat licence (equivalent to the current neighbourhood pub licence) should build a 65-seat establishment. Many current neighbourhood pubs have a building capacity of 90 or more, and commonly over-crowd beyond their 65-seat liquor licence limit despite the fact that local government and resident approval was sought and obtained for the smaller number. This situation is highly undesirable from an enforcement perspective, and can be rectified by establishing a single capacity standard that is based upon building occupancy loads.

From the perspective of industry stakeholders, this recommendation is one *quid pro quo* for bars in return for the recommendation to legitimize and control the current practice of limited drinking without food in restaurants. Consequently, they object to a blanket requirement that these increases be subject to local government approval.

Local governments, however, feel strongly that capacities beyond those approved by the neighbourhood must go back to the neighbourhood for approval. They also point out that their earlier approvals of these establishments were accompanied by parking requirements based upon the requested licence capacities.

It should be possible to resolve this issue through a mediated process between the city, the licensee and LCLB. This process would involve a review of each case in dispute, and discussion among the parties to agree upon the facts (i.e., identify the extent of the discrepancy), identify community issues, and reach agreement upon whether the capacity increase should take place and what local process would be required.

This process should be piloted with a few local governments and if it proves unsuccessful, the Stakeholder Agreement would require significant renegotiation to require straight-drinking licensees to apply for these increases. In such a case, to maintain the integrity of the Stakeholder Agreement, one outcome may well be to require restaurants to apply for designated drinking seats.

RECOMMENDATIONS

Proliferation of licensed establishments should be controlled:

- a) Eligibility should be limited to applicants who are in the food and beverage business or the entertainment industry.
- b) When a local government recommends that a licence not be issued, LCLB should not override their recommendation unless there are issues of fairness or due process in how the municipality has dealt with the applicant.
- c) LCLB will not override a local government recommendation against the granting of a licence without holding a public hearing within the community on the application.
- d) When a local government recommends that a licence be issued, LCLB should consider the density of licensing in the community and any local enforcement issues in deciding whether to grant the licence.

The licensing process should recognize that local governments are in the best position to assess the potential impacts of an establishment upon the local community:

- e) Local governments should have authority to establish the appropriate local processes for licence decisions, based upon their assessment of the potential impacts of the establishment upon the community.
- f) Local governments should be informed of all licence applications and all requests for expanded hours (including off-sales and LRS hours), capacity or entertainment and should have the opportunity to make recommendations to LCLB.
- g) Templates should be developed for local governments to use when making their recommendations to LCLB. Local government should have input in the development of the templates, through a working group of staff that will report to the UBCM representative on the Minister's advisory council.
- h) A process should be established with local government to resolve discrepancies between licensed capacities and building occupancy limits.

There should be stronger enforcement and better coordination between LCLB and local authorities:

- i) Local governments and police should be informed of pending licence renewals and be given an opportunity to comment upon them.
- j) Local governments and police should be informed of compliance and enforcement actions with licensees, including warnings.
- k) Licensee responsibility for managing the establishment should extend to the adjacent areas outside the building.

- l) Implementation should be phased to ensure that enforcement mechanisms are in place before changes are introduced to licensing.
- m) Where licensed capacity is increased to the building capacity, there should be zero tolerance for over-crowding.

Local governments need flexibility to deal with local issues:

At the initiative of local government and police, hours may be extended beyond 2 AM without liquor service.

The new licensing process and compliance and enforcement program should not result in downloading to local governments and police:

- n) Local governments should have the authority to charge cost-recovery licensing application fees.
- o) Local governments should not have to comment to LCLB on applications that they consider to be of low or no impact.
- p) LCLB inspectors should be dedicated to compliance and enforcement activity, and should not be responsible for licensing functions.
- q) There should be more night inspections by LCLB inspectors.
- r) The number of LCLB inspectors should increase to between 35 and 40.

Fees should be charged for holding areas containing straight drinking seats. In addition, it was also recommended by some that current dining room licensees (serving only beer and wine and paying a smaller licence fee - \$250) should be required to move up to a higher licence fee category if they wish to designate drinking seats.

PART D: SINGLE ROOM OCCUPANCY (SRO) HOTEL ACCOMMODATION

There is a strong perception among social housing advocates that a link exists between the current terms and conditions for A-class hotel liquor licences and the maintenance of SRO accommodation. During the course of the review concerns were expressed by the City of Vancouver that the impact of moving to a simplified two-licence system would be to remove the requirement to maintain rooms, thus eliminating a significant amount of vital housing for the poor.

Under the current regulation, in order to be issued a hotel pub or lounge licence, operators must either have daily-rental rooms, a restaurant, interior walkways, daily maid service, and other hotel services, or be an establishment that had an A licence before the regulation took effect in 1991.

The majority of SRO rooms associated with licensed hotels are located in the Vancouver Downtown Eastside (DES), and the loss of SRO stock in that area in recent years, largely due to conversion to more lucrative rental markets, has made this area the focal point for efforts to prevent further erosion of this form of housing.

Of the 32 licensed SRO hotels in the DES, all but one were licensed prior to 1991; Therefore, they are exempt formally from any requirement to have hotel rooms under the Liquor Control and Licensing Regulations.

During a meeting with City of Vancouver staff, it was agreed that a study should be conducted to gather detailed information about the operations of such hotels in the Downtown East Side. The results of this study are included as Appendix E. Lynnparks Consulting is the recognized expert on the finances of this section of the hotel industry.

The study gathered data with respect to the numbers of rooms available, and conducted site interviews at 12 hotels to gain insight into the complexities of room operation. Consultants also gathered data with respect to liquor purchases and a range of other useful factors. They then created a pair of indicative *pro forma* financial statements for hotels in the fourth quartile by size and for those in the first quartile by size.

Of the 1827 rooms identified among the 24 hotels in the sample area, 1115 are occupied by social assistance recipients according to the records of the Ministry of Human Resources. Overall occupancy rates are 87%.

Consultants came to the conclusion that the renting of rooms is profitable for hotels in all quartiles so long as the demand of physical improvements does not create costs that turn capital flows negative. The difficulty can be summed up as follows: so long as the rooms are kept in their current state without significant capital expenditure, they are profitable as SROs, making a positive contribution to the operation of the overall enterprise. When City building inspectors require improvements that involve significant amounts of capital the financial

equation falls apart, thus increasing the likelihood that the hotel will convert to more lucrative rental markets such as the international youth hostel market.

Housing advocacy groups are divided as to the causes of erosion of SRO stock in the DES. Some, such as the Tenants Rights Action Coalition, believe that the greatest losses have occurred due to conversion, and that the liquor laws are not a factor. Many believe, quite erroneously, that the current liquor regulations require SRO hotels in the DES to maintain the rooms in order to retain their pub licences. Others, while prepared to acknowledge that the link is weak if not non-existent, maintain that the hotel owners believe they are required to maintain the rooms, and that the continued existence of the rooms depends upon the continuation of this perception. Consequently, the majority of social housing advocates, including City of Vancouver social housing staff, would prefer to maintain the *status quo* in regard to hotel liquor regulations.

This dilemma can be resolved by the development of a housing strategy for the DES. To allow time for this, it is recommended that:

The Liquor Control and Licensing Act provide discretion to the General Manager to enable grandparenting, by regulation, so that the status quo can be maintained for any aspect of the current regulations where this is deemed to be in the overall public interest.

APPENDIX A: MARCH 22 COMMUNICATION TO ALL LOCAL GOVERNMENTS WITH RESPECT TO PROPOSED CHANGES

March 22, 1999

By fax:

Dear Mayor or Chair:

I am writing to seek your input on a proposal for new liquor regulations that was developed among industry stakeholders.

As you may know, the provincial government recently employed me to conduct a review of liquor policy. This review involved a process of negotiation with key stakeholders to develop a framework for streamlined regulations that will continue to protect public safety and support health and social goals. A copy of the agreement and summary of its major elements are attached.

The government is prepared to accept this agreement, subject to successful consultations with local governments, police, and alcohol and drug education groups. The agreement reflects the view that there is no public safety benefit to maintaining prescriptive regulations such as controlling the number and size of televisions in licensed establishments. It also reflects the view that community impacts could be better dealt with if provincial resources focussed on public safety principles rather than on complex regulations that mostly serve to protect markets for licensees. In addition, I have recommended that coordination between the licensing branch and local governments be improved, particularly in the areas of determining community acceptability for a new licensed premise and dealing with existing establishments that are negatively impacting their communities.

There is no proposal to change the fundamental roles of local governments and the province in liquor licensing decisions. The province will remain a single licensing area, and responsibility for liquor licensing decisions will continue to rest with the Liquor Control and Licensing Branch. There is no proposal to mandate more local government involvement or to off-load provincial functions.

I have attached a diagram and outline of how local government input could inform licensing decisions. While very similar to the current process, particularly from the perspective of local government, the proposed system entails two major changes:

- LCLB will develop electronic systems and partnerships with existing agencies to streamline the application process

- Liquor inspectors will be freed from licensing responsibilities so they can focus on compliance and enforcement.

From March 26 to April 30, I intend to visit as many communities as possible throughout the province. The purpose of the meetings is to provide you with details on the agreement, and to give you an opportunity to air concerns and provide input before I prepare my report to government. I expect to deliver my report to government on May 18, 1999.

I will be available to meet with you in the following communities:

March 26 – Castlegar and Nelson

March 29 - Nanaimo

April 7 - Fort St. John and Dawson Creek

April 8 - Prince George

April 12 - Kamloops

April 13 - Kelowna

April 19 - Prince Rupert

April 21 - Surrey

April 26 - Courtenay

April 29 - Vancouver (1/2 day)

April 30 - Vancouver (1/2 day)

If you are able to attend one of these meetings, please contact Stacy Ginn by phone at (250) 382-2124 or by e-mail at sginn@tsl-canada.com. We are arranging for conference call meetings by region later in the month for those who would like to discuss the new liquor licensing system but are unable to attend the community meetings. Please call Stacy Ginn if you would prefer to participate in a conference call, or contact me at my webpage at www.tsl-canada.com. Alternatively, you can telephone me at the number above.

I look forward to hearing from you.

Sincerely,



Jo Surich

Principal

SUMMARY OF PROPOSED LIQUOR LICENSING SYSTEM

LICENSING AUTHORITY

The province will remain a single licensing area.

Liquor licensing decisions will remain the responsibility of Liquor Control and Licensing Branch (LCLB).

LOCAL GOVERNMENT INPUT

Local government input will inform LCLB licensing decisions.

LCLB will develop new systems to make it easier for local governments to provide input.

In seeking input, LCLB will highlight for local government's consideration the primary focus of the establishment (i.e., liquor service versus food service), size, hours of operation, and type of entertainment.

In considering local government input, LCLB will focus on public interest principles, and principles of fairness and due process.

School boards will be able to veto any new liquor licence within 150 metres of school grounds.

LCLB will consider evidence of community impacts before renewing a licence.

Local governments will be able to recommend one-year moratoria on new licences to address over-licensing that arises when local economies and demographics change.

REDUCTION OF RED TAPE

There will be two classes of licence to permit the sale of drinks by the glass: and "A" licence for liquor-primary establishments, and a "B" licence for food-primary establishments.

Discretionary regulations and policies will be minimized, and policies that serve no public safety or public interest purpose will be eliminated.

Advertising will be deregulated, so that the province will no longer duplicate federal approval processes.

The licensing process will be streamlined through the development of new LCLB systems.

PROTECTION OF PUBLIC SAFETY

There will be a clear schedule of graduated penalties, with fines and/or suspensions leading to licence cancellation for serious infractions (such as service to minors and over-service).

There will be more timely and efficient appeals on enforcement decisions, so that bad operators cannot avoid penalties or operate with impunity during lengthy appeal processes.

All liquor servers will be trained in Serving It Right, and will be required to pass a closed book exam.

A system will be developed to prevent the sale of cheap drinks.

In licensing decisions, factors that are likely to impact on the local community (such things as size, hours of operation and types of entertainment) will be considered through advice from local governments.

Ubrews and Uvins will be regulated, to ensure the liquor is produced by individuals for their own personal consumption, and is not supplied to minors or bootlegged.

OPERATION OF LICENSED PREMISES

There will be a mechanism to extend closing times for cabarets to 4 a.m. without liquor service, with the approval of the municipality.

Existing straight-drinking establishments (not new applicants) will be given more flexibility as to hours of operation, but only with municipal input.

To eliminate discrepancies between building capacities and licenced capacities, new establishments will be required to build to their liquor capacity.

Existing bars, pubs and cabarets will be able (within limits) to increase their capacities to the building occupancy limit with no local government input.

The size of restaurant holding areas will be limited, and restaurants will be allowed to have a small number of designated drinking seats.

Simple tests will be applied to ensure that restaurants operate as restaurants and not bars.

A "reverse-onus" enforcement program will place the onus on restaurants to demonstrate that they are operating as restaurants and not as bars.

For wineries, a single winery licence will permit both manufacturing and wine and food pairing events that are consistent with land use and health requirements.

POSSIBLE LEVELS OF LOCAL GOVERNMENT INPUT

1. Lowest impact applications, LCLB will notify local government of the application.

LCLB will notify school board of an application within 150 metres of school ground.

Types of applications that could fall into this stream:

- food primary establishments with minimal impact due to such factors as early hours, small size, no entertainment, no holding area or designated seats, etc.

Process:

- applicant picks up application package from provincial government office
- submits application to LCLB with no local input sought
- LCLB notifies local government of application before a decision is made

2. Medium impact application would require public notice of application.

LCLB will notify school board of an application within 150 metres of school ground.

Local government will complete a template provided by LCLB indicating whether:

- the property is zoned for that use
- the location is within 150 metres of a school
- traffic or parking is an issue
- there are public buildings or social facilities nearby
- there are other licensed establishments nearby (and if so, what types, how many, and whether there are any impacts on the community)
- population density or trends warrant the existence of a new establishment at that location
- in considering the above factors and having regard to economic and social issues within the community, local government supports the application

Types of applications that could fall into this stream:

- large restaurants
- small restaurant with live bands
- small straight-drinking establishments with early closing hours and no entertainment

Process:

- applicant picks up application package from provincial government office
- package includes required wording and duration of public notice

- type of notice (signage or newspaper ads) is up to local government
- package includes a template for local government input
- applicant is responsible for getting template signed by local government, and including it in his or her application to the branch
- template can be signed by local government staff
- assessment process is up to local government
- LCLB must be satisfied that processes were fair and reasonable

3. High impact application would require public notice of application.

LCLB will notify school board of an application within 150 metres of school ground.

Local government will complete a template provided by LCLB indicating whether:

- the property is zoned for that use
- the location is within 150 metres of a school
- traffic or parking is an issue
- population density or trends warrant a new establishment at that location
- there are public buildings or social facilities nearby
- there are other licensed establishments nearby (and if so, what types, how many, and what impacts do they have on the community)
- in considering the above factors and having regard to economic and social issues within the community, local government supports the application
- local government believes that the majority of residents within a reasonable distance support the application
- a description of the process(es) used to determine the views of residents

Types of applications that could fall into this stream:

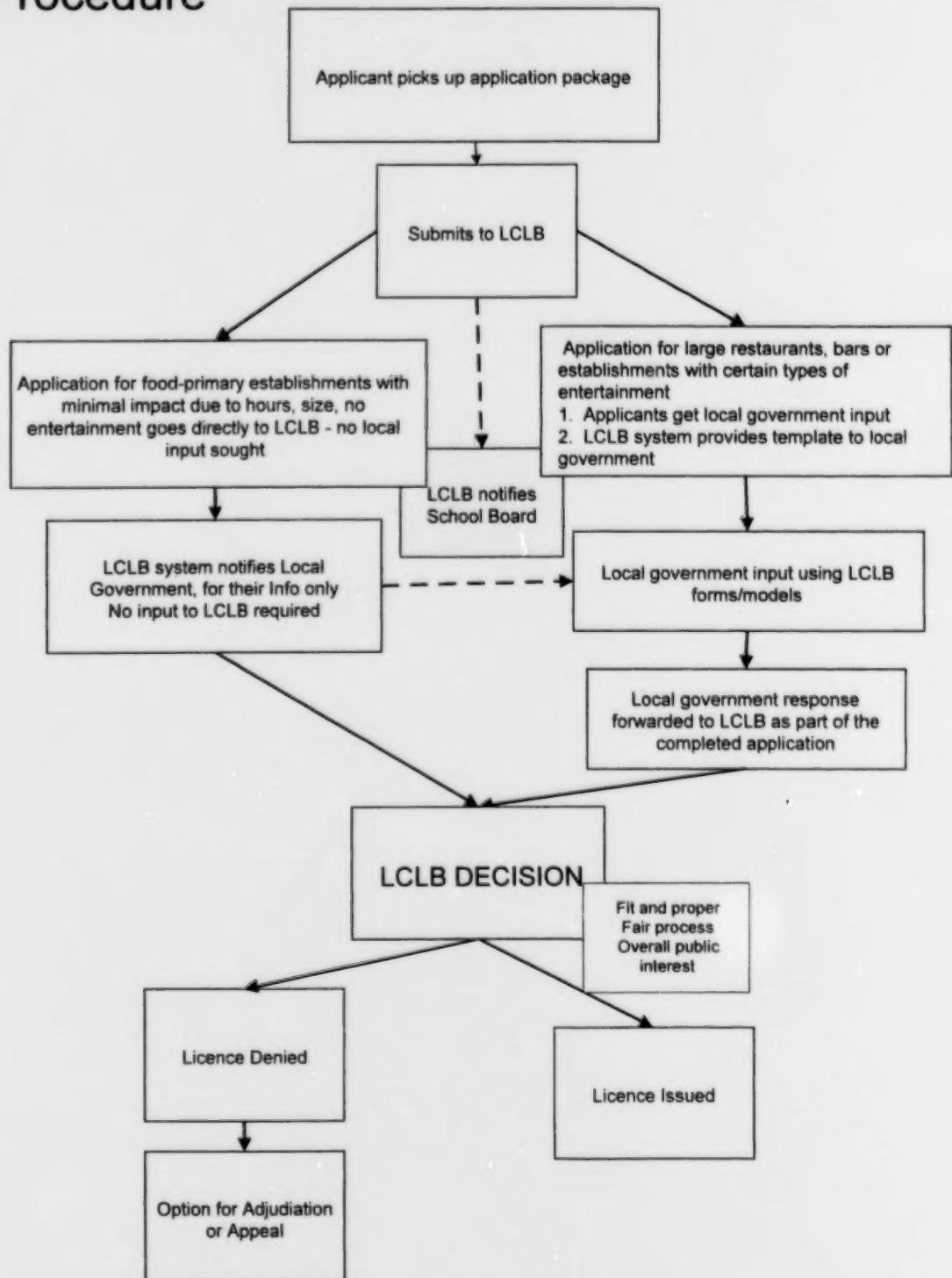
- any size restaurant with games or entertainment that encourage patrons to stay for much longer than the time it takes to eat (e.g., dine and dance, karaoke, billiard halls, etc.)
- large straight drinking establishments
- straight drinking establishments with live or adult entertainment or late closing hours

Process:

- applicant picks up application package from provincial government office
- package includes required wording and duration of public notice
- type of notice (signage or newspaper ads) is up to local government

- package includes a template for local government input
- applicant is responsible for getting template signed by local government, and including it with his or her application to the branch
- local government chooses assessment process, and provides info on process used
- LCLB must be satisfied that the processes were fair and reasonable

Proposed Licencing Procedure



APPENDIX B: MUNICIPALITIES CONSULTED

Municipalities Met with During the Review

Abbotsford
Burnaby
Campbell River
Castlegar
Chetwyn
Comox
Comox-Strathcona Regional District
Courtenay
Cranbrook
Cumberland
Dawson Creek
Esquimalt
Fort St. John
Gold River
Hudson's Hope
Kamloops
Kelowna
Kitimat
Kitimat/Stikine Regional District
Langley
Logan Lake
Nanaimo
New Westminster
North Saanich
North Vancouver
Peace River Regional District
Penticton
Port Coquitlam
Pouce Coupe
Prince George
Prince Rupert
Richmond

Sayward
Summerland
Tahsis
Taylor
Terrace
Thompson-Nicola Regional District
Tumbler Ridge
Vancouver
Victoria
West Vancouver
Whistler
Zeballos

Police Met with During the Review

Association of BC Police Chiefs
Fort St. John RCMP
Kamloops RCMP
Kitimat RCMP
Merritt, Staff Sergeant Jim Snest
Nanaimo RCMP
New Westminster Police
North Island District RCMP
Prince George RCMP
Prince Rupert RCMP
RCMP (North East Division)
RCMP E Division
Richmond RCMP
Terrace RCMP
Victoria Police
White Rock RCMP

Alcohol and Drug Social Service Agencies Met with During the Review

Alcohol and Drug Education Service
BC Council for the Family
Kaiser Youth Foundation
North Peace Alcohol and Drug Counselling
Prince George Community Services

Terrace, Kitimat and Smithers Alcohol and Drug Services
West Kootenay (Nelson) Alcohol and Drug Counselling

Municipalities Contacted by Telephone

Campbell River
Central Saanich
Colwood
Comox
Creston
Cumberland
Delta
District of Nelson
Duncan
East Kootenay Regional District
Ferne
Grand Forks
Hazelton
Highlands
Invermere
Kaslo
Kimberley
Ladysmith
Lake Cowichan
Langford
Nelson
New Denver
North Cowichan
Oak Bay
Parksville
Peachland
Pitt Meadows
Port Alberni
Port Edward
Qualicum Beach
Radium Hot Springs
Saanich
Salmo
Salmon Arm

Sidney
Silverton
Skeena-Queen Charlotte
Slocan
Smithers
Sparwood
Surrey
Trail
View Royal

Municipalities that Participated in Conference Calls

Nakusp
North Vancouver
Pemberton
Powell River
Squamish
Vancouver
Whistler
White Rock

Written submissions received from:

Burnaby
Campbell River
Chilliwack
Hazelton
Houston
Hudson's Hope
Kamloops
Kitimat
Ladysmith
Langley
Mackenzie
Maple Ridge
New Westminster
North Vancouver
Powell River
Saanich

Taylor
Tumbler Ridge
UBCM
Vancouver
West Vancouver
Whistler
Williams Lake

Correspondence received from:

Bulkley – Nechako Regional District
Delta
North Cowichan
Smithers
Union of BC Municipalities

APPENDIX C: MAY 7 COMMUNICATION TO ALL LOCAL GOVERNMENTS REFLECTING CHANGES RECOMMENDED FROM THE CONSULTATION PROCESS

May 7, 1999

By fax:

Dear Mayor or Chair:

Over the past month and a half I have travelled around the province to discuss the proposed changes to provincial liquor laws with local government officials, police and drug and alcohol social service providers. The attached documents reflect the many useful comments and requests for clarification that I obtained during these consultations. They reflect major changes to the package that I sent you in late March. I am sending them to you for your review and comment before I prepare my final report and recommendations for the provincial government. My full report to government will include a summary of what I heard from you during my consultations. After government has reviewed the report and released it to the public, it will be posted it on my website at www.tsl-canada.com.

During the week of May 10 to 14 I am scheduling conference calls for those of you who wish to discuss the proposed changes in person. Four calls are scheduled for **Wednesday May 12 at 9 am, 11 am, 2 pm and 4 pm**. Two calls are scheduled for **Friday May 14 at 2 pm and 4 pm**.

Please call Stacy Ginn at 250-382-2124 to obtain a dial-in number if you wish to participate in any of these calls.

If you prefer, you can fax or e-mail me your comments to the number and web-site above. I would appreciate receiving your comments by the end of Friday May 14.

Sincerely,



Jo Surich
Principal

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SUMMARY OF PROPOSED LIQUOR LICENSING SYSTEM

LICENSING AUTHORITY

The province will remain a single licensing area, and liquor licensing decisions will remain the responsibility of Liquor Control and Licensing Branch (LCLB).

LOCAL GOVERNMENT PARTICIPATION

Local government input will significantly inform LCLB licensing decisions.

Local governments will be informed of all new applications and applications for changes to hours, capacity and entertainment. Local governments will not be required to comment on applications that they identify as low impact.

There will be limited and defined grounds for LCLB to override the recommendations of local government on licensing decisions. These grounds will include: "fit and proper person" considerations; issues of local government fairness and due process, or public interest reasons such as local problems due to a proliferation of establishments.

If the local government recommends that a licence not be issued, LCLB will not override this recommendation without holding a public hearing within the community on the application.

LCLB will develop new systems to make it easier for local governments to provide input.

In seeking input, LCLB will highlight for local government's consideration the primary focus of the establishment (i.e., liquor service versus food service), size, hours of operation, and type of entertainment.

Local governments already consider proximity to schools and other public buildings in their zoning decisions and during their review of liquor licence applications. Rather than giving school boards a veto, this issue will be included in the template provided by LCLB for local government input.

LCLB will provide local governments with periodic lists of licences coming up for renewal. Local governments and police comments on an establishment will be considered before the licence is renewed, and will form the basis of educational or compliance action by LCLB to address problems.

Local governments will be able to recommend one-year moratoria on new licences to address over-licensing that arises when local economies and demographics change.

REDUCTION OF RED TAPE

There will be two classes of licence to permit the sale of drinks by the glass: and "A" licence for liquor-primary establishments, and a "B" licence for food-primary establishments.

Licence applications will include requests for specific capacities, hours of operation and entertainment. This will ensure that local governments will have an opportunity to make recommendations on factors that lead to community impacts. It will also ensure flexibility in the licensing system to accommodate business plans.

Discretionary regulations and policies will be minimized, and policies that serve no public safety or public interest purpose will be eliminated.

At present, the province duplicates national standards and monitoring of media advertising by liquor manufacturers. This duplication will be eliminated, and the federal standards will apply.

The licensing process will be streamlined through the development of new LCLB systems.

PROTECTION OF PUBLIC SAFETY

There will be a clear schedule of graduated penalties, with fines and/or suspensions leading to licence cancellation for serious infractions (such as service to minors and over-service).

LCLB inspection resources will be dramatically increased, as inspectors will spend 100% of their time on compliance and enforcement (instead of spending 68% of their time on licensing, as they now do).

There will be more timely and efficient appeals on enforcement decisions, so that bad operators cannot avoid penalties or operate with impunity during lengthy appeal processes.

All liquor servers will be trained in Serving It Right, and will be required to pass a closed book exam.

A system has been developed to prevent the sale of cheap drinks.

In licensing decisions, factors that are likely to impact on the local community (such things as size, hours of operation and types of entertainment) will be considered through advice from local governments. The recommendations of local government will only be overridden by LCLB when there has been a lack of fairness or due process during local government's consideration of the application, or for overriding public interest reasons such as an existing proliferation of establishments. If local government recommends that a licence not be issued, LCLB will not override this recommendation without holding a public hearing on the application within the community.

Ubrews and Uvins will be regulated, to ensure the liquor is produced by individuals for their own personal consumption, and is not supplied to minors or bootlegged.

OPERATION OF LICENSED PREMISES

There will be a mechanism to extend closing times for cabarets to 4 a.m. without liquor service, on the recommendation of the municipality. The purpose of this provision is to

address policing and transportation problems that arise when large numbers of cabaret patrons leave establishments at the same time. LCLB will only consider requests to extend hours when the request is initiated by the local government.

Existing straight-drinking establishments (not new applicants) will be given more flexibility as to hours of operation, but only with municipal approval. New applicants will request their hours of operation on the application form. Local government will be informed of the hours requested so that they can consider this before making their recommendation on the application to LCLB.

To eliminate discrepancies between building capacities and licensed capacities, building capacity and liquor capacity will be identical for any newly-licensed establishment.

Existing bars, pubs and cabarets will be able (within limits) to increase their capacities to the building occupancy limit with local government input. The following process is recommended:

- Step 1 – An exchange of information between the operator, the local government and LCLB
- Step 2 – Agreement between these parties on the facts pertaining to the current building occupancy and the liquor capacity
- Step 3 – Examination of municipal impacts if the capacity is increased
- Step 4 – Decision-making process on how any discrepancy in capacity should be addressed. This process can be assisted through mediation.

No new licence will be issued for establishments where the building capacity is greater than the liquor capacity being applied for.

The size of restaurant holding areas will be limited to 10% of the restaurant seats, to a maximum of 20. Restaurants will be allowed to have a small number of designated drinking seats, limited to 10% of the restaurant seats, to a maximum of 20

At present, B-licensed "dining room" restaurants pay a \$250 licence fee and are restricted to the sale of beer and wine. B-licensed "dining lounges" pay \$500 fee and are licensed to sell all types of liquor. In order to qualify for any designated drinking seats, "dining room" restaurants will have to pay the higher fee.

Simple tests will be applied to ensure that restaurants operate as restaurants and not bars. These tests will be applied by LCLB inspectors, and will include such things as confirmation that the kitchen is open and full menu service is available, an examination of the receipts for the proportion of liquor sales to food sales, and an examination of the financial records to identify labour costs, as these are substantially higher for restaurants than for bars.

A "reverse-onus" enforcement program will place the onus on restaurants to demonstrate that they are operating as restaurants and not as bars.

For wineries, a single winery licence will permit both manufacturing and wine and food pairing events that are consistent with land use and health requirements.

POSSIBLE LEVELS OF LOCAL GOVERNMENT PARTICIPATION

The applicant will forward a completed application form to LCLB.

LCLB will review the "fit and proper" status of the applicant.

If LCLB decides the applicant is not fit and proper, the licence will be denied.

If LCLB decides the applicant is fit and proper, LCLB will forward documents to the local government that include: details on the application (name of applicant, location, seating capacity, hours of operation, types of entertainment, etc.).

This applies to all applications.

The local government may choose whether or not to comment upon the application. For example, it may prefer not to review and comment upon applications for small restaurants with early closing hours.

The local government will decide which of the three categories (outlined below) that the application falls into: low, medium or high community impact.

If the local government recommends that the licence not be issued, LCLB will not override this decision without conducting a public hearing on the application in the local community. This will enable LCLB to address issues of fairness or due process.

If the local government recommends that the licence be issued, LCLB may override their decision for public interest reasons such as (for example) a proliferation of establishments.

1. Lowest impact applications, LCLB will notify local government of the application.

LCLB will notify local government of an application within 150 metres of school ground.

Local government may choose not to comment on the application because it considers that this type of application has no impact upon the local community.

Examples of applications that a local government may wish to include in this stream:

- "B" applications for food primary establishments with early closing hours, small size, no entertainment, and no designated seats.

2. Medium impact application would require public notice of application.

LCLB will notify local government of an application within 150 metres of school ground.

Local government will complete a template provided by LCLB (the template will be developed in consultation with local governments before the new regulations are implemented). The template will indicate whether:

- the property is zoned for that use
- the location is within 150 metres of a school
- traffic or parking is an issue
- there are public buildings or social facilities nearby
- there are other licensed establishments nearby (and if so, what types, how many, and whether there are any impacts on the community)
- population density or trends warrant the existence of a new establishment at that location
- there are nearby residential areas that may be affected
- there are any relevant social or community issues, such as crime rates or trends
- in considering the above factors and having regard to economic and social issues within the community, local government supports the application

Examples of applications that a local government may wish to include in this stream:

- large restaurants
- small restaurant with live bands
- small straight-drinking establishments with early closing hours and no entertainment

3. High impact application would require public notice of application and neighbourhood input on the application.

LCLB will notify local government of an application within 150 metres of school ground.

Local government will complete a template provided by LCLB indicating whether:

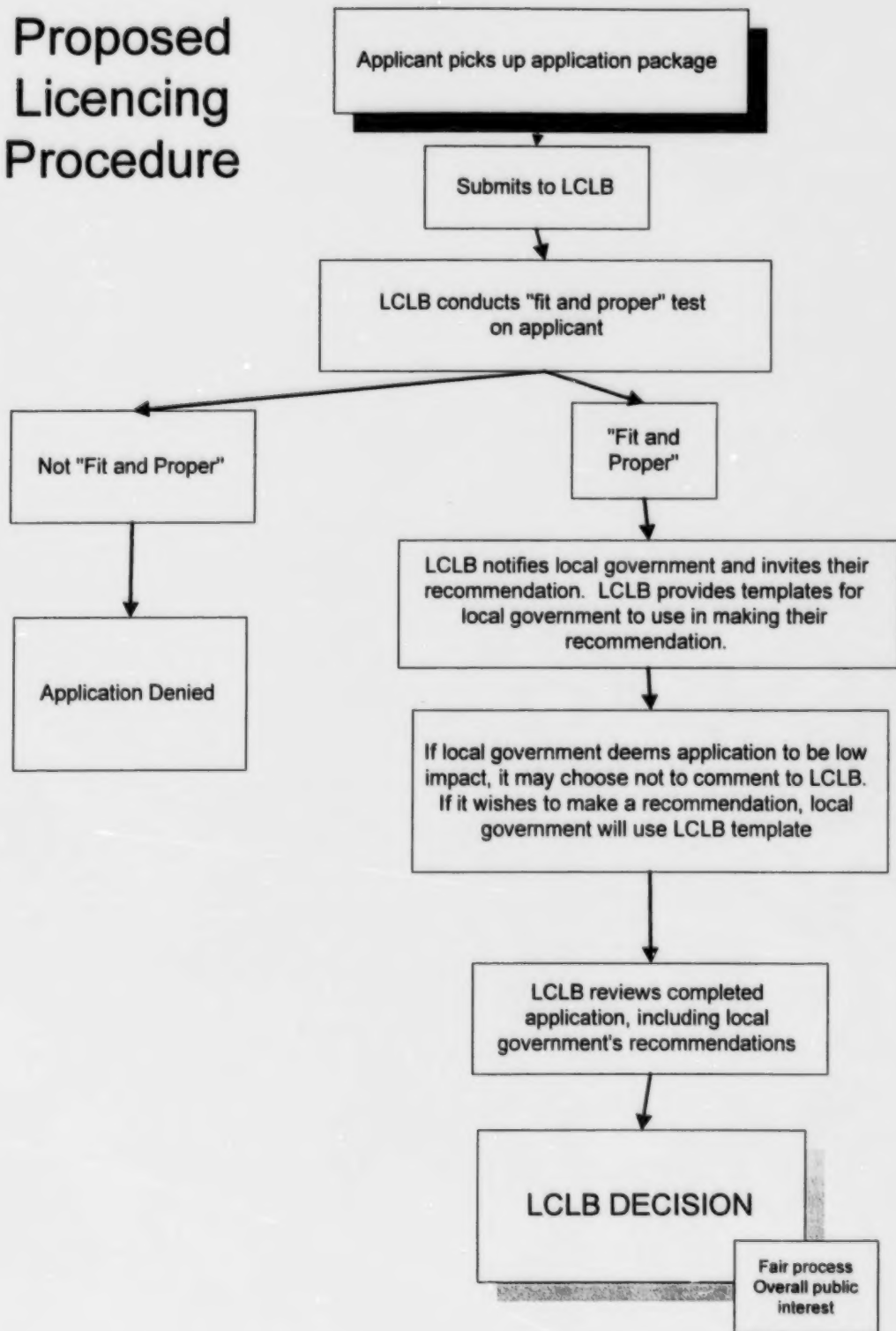
- the property is zoned for that use
- the location is within 150 metres of a school
- traffic or parking is an issue
- population density or trends warrant a new establishment at that location
- there are public buildings or social facilities nearby
- there are other licensed establishments nearby (and if so, what types, how many, and what impacts do they have on the community)
- there are nearby residential areas that may be affected
- there are any relevant social or community issues, such as crime rates or trends

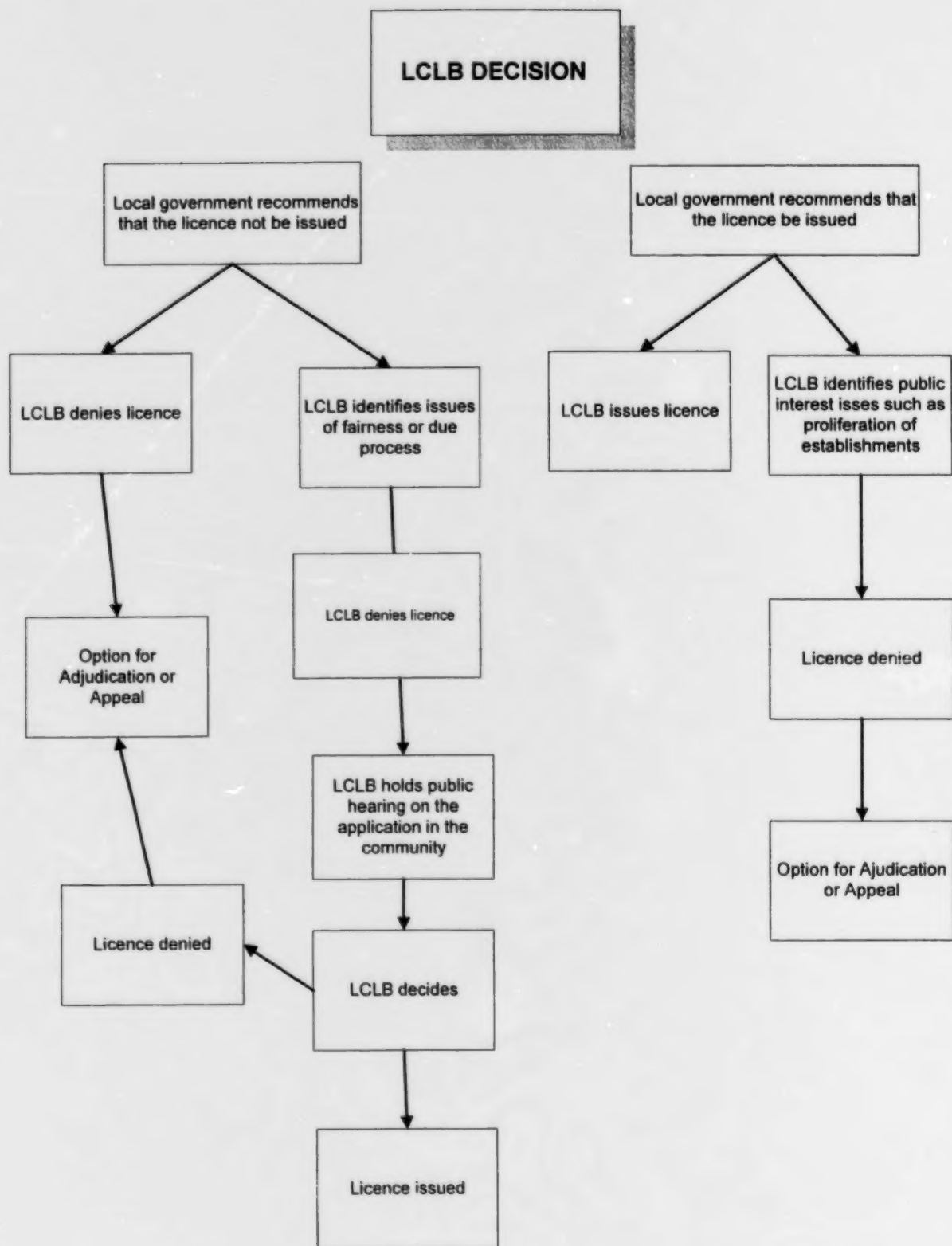
- in considering the above factors and having regard to economic and social issues within the community, local government supports the application
- local government believes that the majority of residents within a reasonable distance support the application
- a description of the process(es) used to determine the views of residents

Examples of applications that a local government may wish to include in this stream:

- any size restaurant with games or entertainment that encourage patrons to stay for much longer than the time it takes to eat (e.g., dine and dance, karaoke, billiard halls, etc.)
- large straight drinking establishments
- straight drinking establishments with live or adult entertainment or late closing hours

Proposed Licencing Procedure





**APPENDIX D: MAY 14 COMMUNICATION TO LOCAL
GOVERNMENTS, REFLECTING FURTHER
CHANGES AS A RESULT OF TELEPHONE
DISCUSSIONS DURING THE WEEK OF MAY
10, 1999**

May 14, 1999

By fax:

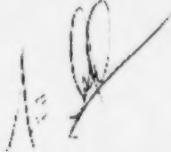
Dear Mayor or Chair:

The attached package reflects the comments we have received back from local governments on our earlier drafts. We have not attached the diagrams of the licensing process, as these have not been changed since the version you received last week.

These documents will be included in my final report to government. I am also recommending continued consultation with local governments in the development of legislation, regulations, policy and implementation of the new liquor regulations. I expect that this consultation will take place through an advisory committee of which UBCM will be a member.

Thank you very much for the many useful comments you and your staff provided over the past month and a half.

Sincerely,



Jo Surich

Principal

SUMMARY OF PROPOSED LIQUOR LICENSING SYSTEM

LICENSING AUTHORITY

The province will remain a single licensing area, and liquor licensing decisions will remain the responsibility of Liquor Control and Licensing Branch (LCLB).

LOCAL GOVERNMENT PARTICIPATION

Local government input will significantly inform LCLB licensing decisions.

Current local government authorities (including bylaws and zoning requirements) will continue to apply to all existing establishments and applications for new establishments.

Local governments will be informed of all new applications and applications for changes to hours, capacity and entertainment. Local governments will not be required to comment on applications that they identify as low impact.

LCLB will conduct fit and proper person tests before referring applications to local government for their recommendations.

There will be limited and defined grounds for LCLB to override the recommendations of local government on licensing decisions. These grounds will include: ~~"fit and proper person" considerations~~; issues of local government fairness and due process, or public interest reasons such as local problems due to a proliferation of establishments.

If the local government recommends that a licence not be issued, LCLB will not override this recommendation without holding a public hearing within the community on the application, and determining that the majority of residents support it. LCLB will cover the costs of these public hearings.

LCLB will develop new systems to make it easier for local governments to provide input.

Templates will be developed in consultation with local governments to assist them in developing local policies, and to ensure effective partnerships between LCLB and local governments on liquor licensing decisions. It may also assist local governments if the templates include a list of the various tools that can be used to determine community opinion.

In seeking input, LCLB will highlight for local government's consideration the primary focus of the establishment (i.e., liquor service versus food service), size, hours of operation, and type of entertainment.

Local governments already consider proximity to schools and other public buildings in their zoning decisions and during their review of liquor licence applications. Rather than giving school boards a veto, this issue will be included in the template provided by LCLB for local government input.

LCLB will provide local governments and police with periodic lists of licences coming up for renewal. Local governments and police comments on an establishment will be

considered before the licence is renewed, and will form the basis of educational or compliance action by LCLB to address problems.

Local governments will be able to recommend one-year moratoria on new licences to address over-licensing that arises when local economies and demographics change.

REDUCTION OF RED TAPE

There will be two classes of licence to permit the sale of drinks by the glass: and "A" licence for liquor-primary establishments, and a "B" licence for food-primary establishments.

Licence applications will include requests for specific capacities, hours of operation and entertainment. This will ensure that local governments will have an opportunity to make recommendations on factors that lead to community impacts. It will also ensure flexibility in the licensing system to accommodate business plans.

Discretionary regulations and policies will be minimized, and policies that serve no public safety or public interest purpose will be eliminated.

At present, the province duplicates national standards and monitoring of media advertising by liquor manufacturers. This duplication will be eliminated, and the federal standards will apply.

The licensing process will be streamlined through the development of new LCLB systems.

PROTECTION OF PUBLIC SAFETY

There will be a clear schedule of graduated penalties, with fines and/or suspensions leading to licence cancellation for serious infractions (such as service to minors and over-service).

LCLB inspection resources will be dramatically increased, as inspectors will spend 100% of their time on compliance and enforcement (instead of spending 68% of their time on licensing, as they now do).

There will be more timely and efficient appeals on enforcement decisions, so that bad operators cannot avoid penalties or operate with impunity during lengthy appeal processes.

All liquor servers will be trained in Serving It Right, and will be required to pass a closed book exam. Serving It Right certification will be subject to periodic renewal, to ensure that servers have current knowledge of regulations and responsible service information and techniques.

A system has been developed to prevent the sale of cheap drinks.

In licensing decisions, factors that are likely to impact on the local community (such things as size, hours of operation and types of entertainment) will be considered through advice from local governments. The recommendations of local government will only be

overridden by LCLB when there has been a lack of fairness or due process during local government's consideration of the application, or for overriding public interest reasons such as an existing proliferation of establishments. If local government recommends that a licence not be issued, LCLB will not override this recommendation without holding a public hearing on the application within the community.

Ubrews and Uvins will be regulated, to ensure the liquor is produced by individuals for their own personal consumption, and is not supplied to minors or bootlegged.

OPERATION OF LICENSED PREMISES

LCLB will have discretion ~~There will be a mechanism~~ to extend closing times for cabarets to 4 a.m. without liquor service, on the recommendation of the municipality. The purpose of this provision is to address policing and transportation problems that arise when large numbers of cabaret patrons leave establishments at the same time. LCLB will only consider requests to extend hours when the request is initiated by the local government.

Existing straight-drinking establishments (not new applicants) will be given more flexibility as to hours of operation, but only with municipal approval. New applicants will request their hours of operation on the application form. Local government will be informed of the hours requested so that they can consider this before making their recommendation on the application to LCLB.

To eliminate discrepancies between building capacities and licensed capacities, building capacity and liquor capacity will be identical for any newly-licensed establishment.

Local governments will be able to apply to LCLB for an exercise of discretion to permit liquor service beyond 2 am in specified establishments in designated "special entertainment" districts.

Existing bars, pubs and cabarets will be able (within limits) to increase their capacities to the building occupancy limit with local government input. The following process is recommended:

- Step 1 – An exchange of information between the operator, the local government and LCLB. Detailed procedures will be developed through pilot projects with several local governments.
- Step 2 – Agreement between these parties on the facts pertaining to the current building occupancy and the liquor capacity
- Step 3 – Examination of municipal impacts if the capacity is increased
- Step 4 – Decision-making process on how any discrepancy in capacity should be addressed. This process can be assisted through mediation.

No new licence will be issued for establishments where the building capacity is greater than the liquor capacity being applied for.

The size of restaurant holding areas will be limited to 10% of the restaurant seats, to a maximum of 20. Restaurants will be allowed to have a small number of designated (red-

lined) drinking seats, limited to 10% of the restaurant seats, to a maximum of 20. If a restaurant has a holding area, these designated seats will be in the holding area and will be part of the 10% or maximum 20 total.

At present, B-licensed "dining room" restaurants pay a \$250 licence fee and are restricted to the sale of beer and wine. B-licensed "dining lounges" pay \$500 fee and are licensed to sell all types of liquor. In order to qualify for any designated drinking seats, "dining room" restaurants will have to pay the higher fee.

Simple tests will be applied to ensure that the overall restaurant (including the holding area/designated seats) operates as a restaurant and not as a bar. ~~restaurants operate as restaurants and not bars.~~ These tests will be applied by LCLB inspectors, and will include such things as confirmation that the kitchen is open and full menu service is available, an examination of the receipts for the proportion of liquor sales to food sales, and an examination of the financial records to identify labour costs, as these are substantially higher for restaurants than for bars.

A "reverse-onus" enforcement program will place the onus on restaurants to demonstrate that they are operating as restaurants and not as bars.

The liquor regulations (including those for restaurants) will be enforced by LCLB inspectors in partnership with police. LCLB inspectors will be dedicated to compliance and enforcement activity, and will perform more night inspections. The number of LCLB inspectors will also increase.

For wineries, a single winery licence will permit both manufacturing and wine and food pairing events that are consistent with land use and health requirements.

POSSIBLE LEVELS OF LOCAL GOVERNMENT PARTICIPATION

The applicant will forward a completed application form to LCLB.

LCLB will review the "fit and proper" status of the applicant.

If LCLB decides the applicant is not fit and proper, the licence will be denied.

If LCLB decides the applicant is fit and proper, LCLB will forward documents to the local government that include: details on the application (name of applicant, location, seating capacity, hours of operation, types of entertainment, etc.).

This applies to all applications, as any liquor licence has a potential impact upon the local community.

The local government, in consultation with police authorities, may choose whether or not to comment upon the application. For example, it may prefer not to review and comment upon applications for small restaurants with early closing hours.

The local government will decide which of the three categories (outlined below) that the application falls into: low, medium or high community impact.

If the local government recommends that the licence not be issued, LCLB will not override this decision without conducting a public hearing on the application in the local community. This will enable LCLB to address issues of fairness or due process.

If the local government recommends that the licence be issued, LCLB may override their decision for public interest reasons such as (for example) a proliferation of establishments.

1. Lowest impact applications, LCLB will notify local government of the application.

LCLB will notify local government of an application within 150 metres of school ground.

Local government may choose not to comment on the application because it considers that this type of application has no impact upon the local community.

Examples of applications that a local government may wish to include in this stream:

- "B" applications for food primary establishments with early closing hours, small size, no entertainment, and no designated seats.

2. Medium impact application would require public notice of application.

LCLB will notify local government of an application within 150 metres of school ground.

Local government will complete a template provided by LCLB (the template will be developed in consultation with local governments before the new regulations are implemented). The template will indicate whether:

- the property is zoned for that use
- the location is within 150 metres of a school
- traffic or parking is an issue
- there are public buildings or social facilities nearby
- there are other licensed establishments nearby (and if so, what types—i.e., what hours, size and entertainment, how many, and whether there are any impacts on the community)
- population density or trends warrant the existence of a new establishment at that location
- there are nearby residential areas that may be affected
- there are any relevant social or community issues, such as crime rates or trends, or needs to accommodate niche markets within the community
- in considering the above factors and having regard to economic and social issues within the community, local government supports the application

Examples of applications that a local government may wish to include in this stream:

- large restaurants
- small restaurant with live bands
- small straight-drinking establishments with early closing hours and no entertainment

3. High impact application would require public notice of application and neighbourhood input on the application.

LCLB will notify local government of an application within 150 metres of school ground.

Local government will complete a template provided by LCLB indicating whether:

- the property is zoned for that use
- the location is within 150 metres of a school
- traffic or parking is an issue
- population density or trends warrant a new establishment at that location
- there are public buildings or social facilities nearby

- there are other licensed establishments nearby (and if so, what types—i.e., what hours, size and entertainment, how many, and what impacts do they have on the community)
- there are nearby residential areas that may be affected
- there are any relevant social or community issues, such as crime rates or trends, or needs to accommodate niche markets within the community
- in considering the above factors and having regard to economic and social issues within the community, local government supports the application
- local government believes that the majority of residents within a reasonable distance support the application
- a description of the process(es) used to determine the views of residents

Examples of applications that a local government may wish to include in this stream:

- any size restaurant with games or entertainment that encourage patrons to stay for much longer than the time it takes to eat (e.g., dine and dance, karaoke, billiard halls, etc.)
- large straight drinking establishments
- straight drinking establishments with live or adult entertainment or late closing hours

APPENDIX E: CONSULTANT'S REPORT WITH RESPECT TO THE FINANCIAL VIABILITY OF SRO HOTELS



Lynnpeaks Consulting Ltd.

Certified Management Consultants

#60 - 1550 Larkhall Crescent
North Vancouver, British Columbia
Canada V7H 2Z2

Phone (604) 924-0601
Fax (604) 924-0624
bjwills@istar.ca

May 7, 1999

Transformation Solutions
123-645 Fort St.
Victoria, BC
V8W 1G2

Re: Eastside Hotels in Vancouver

Transformation Solutions requested Lynnpeaks Consulting Ltd. to address the impact of potential changes in liquor regulations on hotels in East Vancouver, specifically the areas of Strathcona, Gastown and Chinatown. We understand consideration is being given by the Province to remove the "available" rooms requirement for an "A" license holder. The City of Vancouver is stressing the importance of maintaining existing regulations, to ensure social housing is provided in the area.

A. Approach

We conducted the following steps in preparation of this study.

A list of hotels in the target area (Strathcona, Gastown and Chinatown) was obtained from the Province, showing the number of rooms, licensed beverage seats and beverage purchase data. Presented on Exhibit I is a list of the hotels included in our sample and the number of rooms in the properties. Two hotels, the Patricia Hotel and the Ramada Limited are within the geographic area, but were excluded as they are primarily transient room oriented and do not affect the supply of SRO(single room occupied) rooms.

Site interviews were conducted at 12 of these hotels, and where possible discussions were held with owners and managers to address the rooms operations. A survey form was completed for

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each hotel visited detailing information on the number rooms, room rates and operating practices.

Exhibit I

Listing of the Sample Hotels

	Premise Name	Total Licensed Seats	Total Units
1	No. 5 Orange Street Hotel	180	15
2	Marr Hotel And Pub	125	24
3	Drake Hotel	220	25
4	Savov Hotel	125	27
5	Palace Hotel	199	30
6	American Hotel	193	36
7	Grand Union Hotel	170	40
8	Stadium Inn	112	44
9	Rainier Hotel	110	45
10	New Dodson Hotel	250	64
11	Pennsylvania Hotel	165	70
12	Columbia Hotel	100	71
13	Pacific Hotel	166	72
14	Empress Hotel	118	74
15	Astoria Hotel	220	84
16	Cobalt Hotel	190	93
17	New Brandiz Hotel	160	96
18	West Hotel	150	98
19	Ivanhoe Hotel	274	104
20	Heritage House	328	110
21	Hildon Hotel	150	136
22	Marble Arch Hotel	234	147
23	Regent Hotel	166	151
24	Balmoral Hotel	280	171
		<hr/> 4 385	<hr/> 1 827
	Average of the Sample	<u>183</u>	<u>76</u>

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1. The City of Vancouver Report "Housing Plan for Downtown Eastside (July 1998)" was reviewed to understand the background of the SROs, and changes that have occurred relative to licensed premises.
2. Discussions were held during the site interviews on the challenges of rooms operations.
3. A meeting was held with Mr. Kolvane Yuh, Senior Development Officer for the Real Estate Services, Corporate Services Group City of Vancouver. He provided valuable data and information on the area and background information on the relevant issues.
4. Estimates of beverage revenue levels were made based on liquor purchases and the current sales prices for beverages. Estimates of room revenues were based on current room rates and average occupancy rates obtained from owner interviews and City of Vancouver data.
5. Estimates were made of expense levels for a typical hotel in the area including staffing costs, property tax, utilities, repairs and maintenance and insurance.
6. A financial comparison was prepared of the likely maintainable operating results of the hotel properties in the sample. (See Exhibit IV)

B. Limitations of the Analysis

The hypothetical operating results of a typical East Vancouver hotel was based upon the information obtained from government records and from our knowledge of the industry and a select sample of properties from our historical professional database. We were not able to obtain current financial statements for properties in the area due to confidentiality concerns by the owners.

C. Results and Observations

Beverage Department Analysis

Liquor purchases by Downtown Eastside Vancouver licensed premises were analyzed for the 24 hotels by individual properties. Presented on Exhibit II are the results of this analysis that shows the average of all the hotels sampled including the 1st quartile and 4th quartile based on the number of rooms. Detailed results by property were not shown due to confidentiality concerns. The following observations apply to the results:

- Beer purchases are significantly greater than liquor purchases and are the dominant factor in determining the cost of goods sold percentages. Based on estimated revenue dollars, liquor sales represent approximately 13% of total beverage sales.
- Included in Exhibit II is an estimate of the potential revenue derived from the liquor purchases using a 37% cost of goods sold percentage. Examination of sample financial statements and the current cost of beverages by the glass indicate 37% is representative of the majority of the properties.
- 93% of the licensed seats in the sample of hotels are "A" licensed seats showing that the majority of the hotel properties have only an A license and a few have a B license. One of

the properties in our sample included an LRS store and that revenue was excluded from the purchase figures.

- The dollar per seat per month ranged from a low of \$489 in the 4th quartile to a high of \$568 in the 1st quartile resulting in an average of \$458 per seat per month.

Exhibit II

Estimated Beverage Revenues of Sample Hotels

	Average of all sampled	4th Quartile Smaller Hotels	1st Quartile (based on number of rooms) Larger Hotels
Beer purchases	\$326,492	\$377,203	\$448,561
Liquor Purchases	<u>\$45,396</u>	<u>\$52,616</u>	<u>\$67,587</u>
Total purchases	<u>\$371,887</u>	<u>\$429,819</u>	<u>\$516,148</u>
 Pub seats	 <u>171</u>	 <u>174</u>	 <u>191</u>
Total seats	183	174	239
 Estimated Beverage Revenue	 <u>\$1,005,101</u>	 <u>\$1,161,672</u>	 <u>\$1,394,995</u>
 \$ per seat per month	 <u>\$458</u>	 <u>\$564</u>	 <u>\$489</u>

Rooms Department Analysis

Presented on Exhibit III are the results of room revenue and number of rooms from our sample. The following comments apply:

- Total number of rooms range from 15 in the smallest property up to 171 rooms in the largest property. The average number of rooms of the 24 hotels was 76 rooms.
- The estimated room revenue is based upon \$334 per room per month and resulted in the average hotel's room revenue being \$265,445. Properties with less than 40 rooms would generate room revenues of less than \$150,000 per month. Rooms are rented 87% of the time or a 13% vacancy rate.

Exhibit III

Estimated Room Revenues of Sample Hotels

	Average of all sampled	1st Quartile (based on number of rooms) Larger Hotels	4th Quartile Smaller Hotels
Total Units	76	137	26
Total Estimated Annual Room Revenue	\$265,445	\$475,970	\$91,242

Observations from the Interviews

The following observations are based upon interviews conducted and an analysis of the data.

1. The hotel owners and managers interviewed indicated that they would not shut down rooms if the liquor regulations were changed. In many of the properties the contribution from rooms revenue was significant.
2. The majority of hotels in the sample are unionized(Local 40) with one exception. This results in consistent labour rates across the beverage hotels.
3. One owner suggested availability of rooms was useful for providing a place for people to stay when they had too much to drink rather than driving home.

4. The managers interviewed indicated their major problems in the operation of the rooms was the room damage resulting from substance abuse(not necessarily alcohol) by the residents.

D. Results of the Financial Comparisons

Presented on Exhibit IV is a theoretical financial model for a hotel based upon the average beverage and room revenue estimates determined from Section C of this report. Presented are the estimated results for an average sized hotel in the sample and the 1st quartile and 4th quartile, based on the number of rooms. The financial assumptions are based upon examination of sample financial statements, previous assignments and our knowledge of the industry. In addition, we obtained data prepared by the City of Vancouver and supported by our research indicating an overall vacancy rate of 13% and an average monthly rent of \$334 per month per room. **A detailed discussion of the assumptions in preparing the financial comparisons is contained in Appendix I.**

The results of the financial model demonstrate that the average hotel is realizing a positive contribution from the operation of the beverage facility. The results of the financial model also demonstrate the rooms provide a positive contribution margin towards indirect and fixed expenses.

Exhibit IV
Financial Comparisons(Hypothetical Operating Results)

	Sample Average		Larger Hotels		Smaller Hotels	
	(\$000's)		(\$000's)		(\$000's)	
ROOMS DEPARTMENT						
Rooms Revenue	<u>\$265</u>	<u>100.0%</u>	<u>\$475</u>	<u>100.0%</u>	<u>\$91</u>	<u>100.0%</u>
Department Costs						
Wages and Benefits - Desk	127	47.9%	127	26.7%	53	58.2%
Wages and Benefits -Housekeeping	52	19.6%	97	20.4%	16	17.6%
Linen	10	3.8%	20	4.2%	3	3.3%
Guest Supplies	12	4.5%	23	4.8%	4	4.4%
Laundry	<u>10</u>	<u>3.8%</u>	<u>20</u>	<u>4.2%</u>	<u>3</u>	<u>3.3%</u>
	<u>211</u>	<u>79.6%</u>	<u>287</u>	<u>60.4%</u>	<u>79</u>	<u>86.7%</u>
Rooms Department Contribution	<u>54</u>	<u>20.4%</u>	<u>188</u>	<u>39.6%</u>	<u>12</u>	<u>13.3%</u>
BEVERAGE DEPARTMENT						
Revenue	1,005	100.0%	1,394	100.0%	1,161	100.0%
Cost of Sales	<u>372</u>	<u>37.0%</u>	<u>516</u>	<u>37.0%</u>	<u>430</u>	<u>37.0%</u>
Gross Profit	<u>633</u>	<u>63.0%</u>	<u>878</u>	<u>63.0%</u>	<u>731</u>	<u>63.0%</u>
Operating Expenses						
Wages	202	20.1%	279	20.0%	232	20.0%
Direct Operating	75	7.5%	105	7.5%	87	7.5%
Promotion and Entertainment	<u>40</u>	<u>4.0%</u>	<u>56</u>	<u>4.0%</u>	<u>46</u>	<u>4.0%</u>
Beverage Department Contribution	<u>317</u>	<u>31.5%</u>	<u>439</u>	<u>31.5%</u>	<u>366</u>	<u>31.5%</u>
INCOME BEFORE THE FOLLOWING	<u>371</u>	<u>29.2%</u>	<u>627</u>	<u>33.6%</u>	<u>378</u>	<u>30.2%</u>
UNDISTRIBUTED EXPENSES						
Administrative and General	82	6.5%	96	5.1%	71	5.7%
Marketing	3	0.2%	4	0.2%	2	0.2%
Energy	40	3.1%	75	4.0%	18	1.4%
Repairs and Maintenance	<u>50</u>	<u>3.9%</u>	<u>80</u>	<u>4.3%</u>	<u>25</u>	<u>2.0%</u>
	<u>175</u>	<u>13.8%</u>	<u>255</u>	<u>13.6%</u>	<u>116</u>	<u>9.3%</u>
INCOME BEFORE THE FOLLOWING	<u>196</u>	<u>15.4%</u>	<u>372</u>	<u>19.9%</u>	<u>262</u>	<u>20.9%</u>
PROPERTY TAXES AND INSURANCE	<u>48</u>	<u>3.8%</u>	<u>79</u>	<u>4.2%</u>	<u>29</u>	<u>2.3%</u>
INCOME BEFORE DEPRECIATION, INTEREST AND INCOME TAXES	<u>\$148</u>	<u>11.7%</u>	<u>\$293</u>	<u>15.7%</u>	<u>\$233</u>	<u>18.6%</u>

Note: See discussion on assumptions in Appendix I.

E. Conclusions

The results of our analysis demonstrate that in the typical Eastside hotel both the beverage operations and rooms operation provide positive contribution margins. **The results support statements by the owners that they would not close down room operations if the rooms**

availability requirement was removed from their "A" licenses. In the majority of these hotels, the operation of rooms contributes to the overall financial result.

We understand an important concern expressed by the City of Vancouver is that when the City issues an upgrade order based upon an inspection then the capital cost of upgrading the hotel rooms may not be recoverable within a short timeframe and may result in the owner closing down the rooms operation. For example, an estimate for the Hotel California upgrade was \$450,000 for 90 rooms. A cost of this magnitude would likely result in the owner considering closing down the rooms portion of the hotel. For the sample hotel, room income amounts to \$54,000 per year. An upgrade order of several hundred thousand dollars would likely motivate the owner to consider closing the rooms or upgrading the hotel to transient overnight accommodation. Other factors would be the availability of bank loans (difficult), availability of equity and time to recover the rooms investment.

The closing of rooms due to the issuance of upgrade orders by the City would not necessarily occur in the short term but will likely occur over time. **The potential impetus to remove rooms from the rooms supply is not caused directly by the liquor licensing regulation but rather is the direct result of the initiatives by the City of Vancouver in issuing upgrade orders.**

The Province and the City of Vancouver need to consider whether liquor licensing is the proper approach to deal with a social housing issue or whether there are alternative approaches.

Please feel free to contact me at (604) 924-0601 if you have any questions regarding the results of our analysis.

Yours very truly,

Brian Wills

Lynnpeaks Consulting Ltd.

Appendix A - Major Assumptions to the Financial Comparisons

1. Introduction

The hotel industry adopted a uniform system of accounts for hotels over seventy years ago. It provides commonality of definition and accounting distributions, permitting hoteliers to compare their operations against industry standards. This widely accepted accounting approach has contributed to recognition of the importance of percentage calculations with reference to cost controls. The departmentalisation of both revenues and costs is of particular importance to this review in this instance, having reference to the rooms department and the food and beverage department.

The uniform system provides for allocation of departmental costs on a well defined basis, with five broad expense categories treated as "undistributed expenses", as certain costs cannot be reasonably and/or accurately allocated between departments and/or the expenditure benefits the operation as a whole, and are therefore not appropriately allocated against one department or the other.

A broad cross section of 24 licensed hotel operations were selected for this analysis. Cold beer and wine store operations were eliminated; none of the properties are listed in the current editions of either the Provincial Accommodation Guide or the American Automobile Association TourBook. The 24 properties in the sample provide a total of just over 1,800 rooms, with the average complement 76 rooms, the median 72. All included licensed beverage seating, offering an average of 183 seats, ranging from a low of 100 to a high of 328. Geographically, the area included from Burrard Inlet to the 1000 block of Main street, between Richards Street on the West and the 700 block of East Hastings.

A quartile test was completed, dealing with the five largest and five smallest hotels, based on the room complement. With reference to beverage sales, there was little difference, with the entire sample averaging food and beverage sales of \$1.005 million, with the larger properties lower by 1%, while the properties with the smallest room complement reported beverage sales 8% higher. The average size of the hotels in the large quartile was 137, while the lower averaged 26.

2. F & B Operations

Beverage revenues were calculated based on product purchases for a 12 month period ended March 1999. Sales revenues were estimated on the assumption that the overall cost of product would total 37% of beverage revenues (on the basis that food operations in outlets of this size are marginally profitable at best, it was assumed that the food aspect of the operation would function at the break even level). After calculating a gross profit of 63%, expense allowances were calculated as follows:

% of Revenue

Payroll costs.20%
Promotion and Entertainment . .4%
Direct operating expenses7.5%

As shown in Exhibit IV, the contribution against hotel overheads, would be 29.2% of gross revenues, or a total of \$371,000 annually for the average hotel.

3. Rooms Department

Revenues at sample hotels are characterized by extremely low rates, due to the number of monthly tenancies, resulting in hotels that are arguably more in the nature of apartment operations than transient accommodation.

Detailed calculations made for the average size property, and the larger quartile, tend to show little variation with reference to the needs of the operation, for example, either a 76 room or a 143 unit hotel would be obliged to operate a 24 hour front desk, on a year-round basis. Research supported use of an overall occupancy level for the hotels in the sample of 87%; although many hoteliers quote a daily rate, usually in the order of \$30 to \$40 per day (this would result in a monthly revenue figure in the order of \$900 for each room per month), but the vast majority of rooms rented are on the basis of single occupancy, at \$325 per month. In completing the estimates for Exhibit IV, the calculation was based on the 87% occupancy factor noted above, at an average room rate of \$334 per month.

The major expense factor for the average hotel and the larger property, is the operation of a 24-hour front desk. This cost would not vary between the 76 room facility and one of over 140 rooms, (this would not be the case in a busy hotel catering to transients, as a second person, and sometimes even a third, would be required to assist at the desk during busy periods of check-in and check-out).

Housekeeping costs were estimated on the assumption that daily service would involve no more than towel changes, and that probably on a demand basis, with bed linens changed and the room cleaned on a weekly basis.

Linen costs are reasonably estimated at \$20,000 for the larger properties, and about half that for the average facility.

Guest supplies would principally be paper products, and have been estimated at the rate of 50 cents per occupied room-day.

Laundry costs were calculated on the basis of \$3 per room change.

As shown in Exhibit IV, the result is a contribution from the larger hotels towards overhead of \$188,000 annually, while the average property could expect a contribution of \$54,000. The smaller properties, which would vary only with respect to the front desk, covered by management staff during the business day, would result in an the front desk wage cost (it might be considered more in the nature of the security expenditure), in the order of \$53,000 annually.

4. Undistributed Expenses

Administrative and General

Estimates were made on the basis of a management salary in the mid \$60,000 range, with allowance for other administrative costs, such as credit card discounts, office supplies, accounting services and the like, which could vary directly according to the size of the property.

Energy

Costs were estimated based on reported costs by several hotel operators.

Repairs & Maintenance

Without exception, the properties in the sample have been in operation for many years, and significant repair and maintenance costs would be incurred every year. The estimated cost for the average and larger properties would include staffing with a full time maintenance person, the cost of outside assistance for plumbing, electrical and other trades, plus the cost of materials for effecting repairs.

Taxes and insurance

This cost was estimated having reference to current assessed values. The properties showed an average land assessment of \$463,000, while building assessments averaged \$924,000, with the total assessment at an average of \$1,387,000. Insurance costs would be in the order of \$12,000 for the average property, about \$18,000 for the larger hotel, the smaller properties would pay only slightly more than a neighbourhood pub operation.

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Transformation Solutions Inc.

123-645 Fort Street
Victoria BC
V8W 1G2

Session Report

6/3/99

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Src	Date	ID#	Acct#	Account Name	Debit	Credit	Job
CD	6/3/99	Sajjad Akbar					
		1126	1-1110	Royal Bank		\$1,376.10	
		1126	6-5110	Wages	\$1,846.00		
		1126	2-1410	Default Payroll Liabilities		\$47.07	
		1126	2-1410	Default Payroll Liabilities		\$59.90	
		1126	2-1410	Default Payroll Liabilities		\$362.93	
		1126	6-5130	Employer Payroll Tax Expense	\$59.90		
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		1126	6-5130	Employer Payroll Tax Expense	\$65.90		
		1126	2-1410	Default Payroll Liabilities		\$65.90	
CD	6/3/99	Andrew Cartwright					
		1127	1-1110	Royal Bank		\$1,423.32	
		1127	6-5110	Wages	\$2,307.69		
		1127	2-1410	Default Payroll Liabilities		\$58.85	
		1127	2-1410	Default Payroll Liabilities		\$76.06	
		1127	2-1410	Default Payroll Liabilities		\$749.46	
		1127	6-5130	Employer Payroll Tax Expense	\$76.06		
		1127	2-1410	Default Payroll Liabilities		\$76.06	
		1127	6-5130	Employer Payroll Tax Expense	\$82.39		
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CD	6/3/99	Stacy Ginn					
		1128	1-1110	Royal Bank		\$802.38	
		1128	6-5110	Wages	\$1,050.00		
		1128	2-1410	Default Payroll Liabilities		\$26.78	
		1128	2-1410	Default Payroll Liabilities		\$32.04	
		1128	2-1410	Default Payroll Liabilities		\$188.80	
		1128	6-5130	Employer Payroll Tax Expense	\$32.04		
		1128	2-1410	Default Payroll Liabilities		\$32.04	
		1128	6-5130	Employer Payroll Tax Expense	\$37.49		
		1128	2-1410	Default Payroll Liabilities		\$37.49	
CD	6/3/99	Dean M. Pothorin					
		1129	1-1110	Royal Bank		\$1,556.71	
		1129	6-5110	Wages	\$2,307.69		
		1129	2-1410	Default Payroll Liabilities		\$58.85	
		1129	2-1410	Default Payroll Liabilities		\$76.06	
		1129	2-1410	Default Payroll Liabilities		\$616.07	
		1129	6-5130	Employer Payroll Tax Expense	\$76.06		
		1129	2-1410	Default Payroll Liabilities		\$76.06	
		1129	6-5130	Employer Payroll Tax Expense	\$82.39		
		1129	2-1410	Default Payroll Liabilities		\$82.39	
CD	6/3/99	Danna Suntok					
		1130	1-1110	Royal Bank		\$734.30	
		1130	6-5110	Wages	\$861.60		
		1130	2-1410	Default Payroll Liabilities		\$21.97	
		1130	2-1410	Default Payroll Liabilities		\$25.44	
		1130	2-1410	Default Payroll Liabilities		\$79.89	
		1130	6-5130	Employer Payroll Tax Expense	\$25.44		
		1130	2-1410	Default Payroll Liabilities		\$25.44	
		1130	6-5130	Employer Payroll Tax Expense	\$30.76		

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Src	Date	ID#	Acct#	Account Name	Debit	Credit	Job
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		1131	6-5110	Wages	\$442.00		
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		1131	6-5130	Employer Payroll Tax Expense	\$15.78		
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SJ	5/31/99	Sale; BC Ferry Corporation	81				
		98990252	1-1200	Accounts Receivable	\$575.00		
		98990252	4-1000	Consulting Fees		\$575.00	
SJ	5/31/99	Sale; BC Ferry Corporation	I-01520A				
		98990253	1-1200	Accounts Receivable	\$3,331.00		
		98990253	4-1000	Consulting Fees		\$3,331.00	
SJ	5/31/99	Sale; British Columbia Assets and					
		98990254	1-1200	Accounts Receivable	\$4,500.00		
		98990254	1-1200	Accounts Receivable	\$315.00		
		98990254	4-1000	Consulting Fees		\$4,500.00	
		98990254	2-1310	GST Collected		\$315.00	
SJ	5/31/99	Sale; MHR 102					
		98990255	1-1200	Accounts Receivable	\$2,702.50		
		98990255	4-1000	Consulting Fees		\$2,702.50	
SJ	5/31/99	Sale; MHR 103					
		98990256	1-1200	Accounts Receivable	\$8,618.75		
		98990256	4-1000	Consulting Fees		\$8,596.25	
		98990256	4-2000	Other Service Fees		\$22.50	
PJ	6/3/99	Purchase; Pothorin, Dean					
		00000639	2-1200	Accounts Payable		\$2,098.68	
		00000639	6-1230	Auto Travel Expense	\$465.22		
		00000639	6-1120	Meeting Expenses	\$30.90		
		00000639	6-1240	Taxi Travel Expense	\$4.67		
		00000639	6-1250	Meals and Accommodation Ex	\$750.33		
		00000639	1-2130	Computer Software	\$728.39		
		00000639	2-1320	GST Paid	\$119.17		

Grand Total: \$31,550.88 \$31,550.88